

Economic Development and Trade

ANNUAL REPORT

2016-17



Note to Readers:

Copies of the annual report are available on the Economic Development and Trade website <http://economic.alberta.ca/>

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ISBN 978-1-4601-3435-1 (Print)

ISBN 978-1-4601-3436-8 (PDF)

ISSN 2371-1604 (Print)

ISSN 2371-1612 (Online)

June 2017

Economic Development and Trade

Annual Report 2016-17

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■ Preface

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Economic Development and Trade contains the minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan.

This ministry annual report also includes:

- the financial statements of entities making up the ministry including the Department of Economic Development and Trade, Alberta Innovates, and the Alberta Enterprise Corporation, for which the minister is responsible; and
- other financial information as required by the Financial Administration Act and Fiscal Planning and Transparency Act, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report.

■ Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2017, was prepared under my direction in accordance with the Fiscal Planning and Transparency Act and the government's accounting policies. All of the government's policy decisions as at June 2, 2017 with material economic or fiscal implications, of which I am aware, have been considered in the preparation of this report.

Original signed by

Honourable Deron Bilous

Minister of Economic Development and Trade

■ Message from the Minister of Economic Development and Trade



Honourable Deron Bilous

Since its inception two years ago, the Ministry of Economic Development and Trade has been providing leadership on the government's economic development efforts by supporting Alberta small and medium-sized businesses, enhancing innovation programming across sectors and doing its part to help Alberta businesses reach new markets while attracting new investment from around the globe. As Minister, I am excited to present our annual report, which outlines the important initiatives we carried out during the 2016-17 fiscal year.

Our efforts to support a diversified and resilient Alberta economy took centre stage this past year as we rolled out the Alberta Jobs Plan. We listened to the world's best and most innovative industry leaders, workers and economic experts, and together, we created a plan, which included the launch of a robust suite of programs that focus on creating jobs and building a more resilient, diversified Alberta economy. A key highlight included the unanimous passing of the Investing in a Diversified Alberta Economy Act in December 2016, and in January 2017, we officially kicked off application intake for the Alberta Investor and Capital Investment Tax Credits to propel innovation, diversification and job creation province-wide. Credits like these have been in place in other provinces for decades, and finally Alberta businesses have them too.

The economic strength and entrepreneurial drive of our province's smaller cities and towns also got a boost with the September 2016 launch of the \$30 million Community and Regional Economic Support (CARES) program. CARES helps communities with limited resources and common interests tackle economic development projects that they might not be able to undertake on their own. Through the first round, 63 successful projects totalling \$4.83 million in grants were approved in regions across the province with even more success stories on the horizon as we move forward with the second intake.

In addition to supporting economic growth in Alberta's hometowns and neighbourhoods, we want Alberta to continue to be the best place in Canada to build on previous innovations and get a new idea off the ground. That's why we are supporting a research and innovation system that is nimble, helps build a more diversified economy and ensures that every research dollar is wisely invested. Key to achieving these changes was the consolidation of Alberta Innovates from four corporations into one, including an applied research subsidiary. We also took steps to capitalize on opportunities for the development of clean technology and promotion of energy efficiency through a number of initiatives including: a \$ 10 million commitment towards the Alberta Carbon Conversion Technology Centre and the establishment of a task force to help inform the development of a Climate Change Innovation and Technology Framework.

While we have been working hard to improve services for Alberta businesses here at home, we have also been raising the bar on how we support Alberta businesses seeking new opportunities beyond our borders. The need for market access touches every Albertan, regardless of the sector they work in. This is why we allocated \$3 million annually toward the new Alberta Export Expansion program, to help companies from all sectors enter global markets. In fact, the Export Support Fund alone supported 93 companies on missions to 33 countries during the 2016-17 fiscal year. This work was bolstered by the ongoing efforts of a network of 12 international offices as well as our actions to enhance international partnerships, attract investment and represent Alberta's trade interests during Premier and Minister-led missions abroad.

My ministry is committed to building a strong, resilient and diversified economy that all Albertans can count on – and that will remain a top priority of ministry staff as we look to the year ahead. The progress that we have made through the Alberta Jobs Plan and our many other initiatives so far is a testament to this ministry's expertise, hard work and commitment to Albertans.

I truly believe that to ensure our actions properly align with the needs of Albertans, we need to work with you, our partners. This past year has been a valuable opportunity to engage with stakeholders in all sectors to help inform the actions we have already taken as well as our plans going forward. Alberta took some hard economic knocks, but we're starting to see the green shoots of recovery – and with collaboration at the forefront, I am confident that, together, we are building an economy for the future.

Original signed by

Honourable Deron Bilous

Minister of Economic Development and Trade

■ Management's Responsibility for Reporting

The Ministry of Economic Development and Trade includes 12 international offices established in high priority markets, the Alberta Enterprise Corporation, Alberta Innovates, the Alberta Research and Innovation Advisory Committee and the Northern Alberta Development Council.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Economic Development and Trade. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandability – the performance measure methodologies and results are presented clearly.
- Comparability – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – outcomes, performance measures and related targets match those included in the ministry's Budget 2016.

As deputy minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Economic Development and Trade the information needed to fulfil their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the Fiscal Planning and Transparency Act.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

Original signed by

Jason Krips

Deputy Minister of Economic Development and Trade

June 2, 2017



Results Analysis

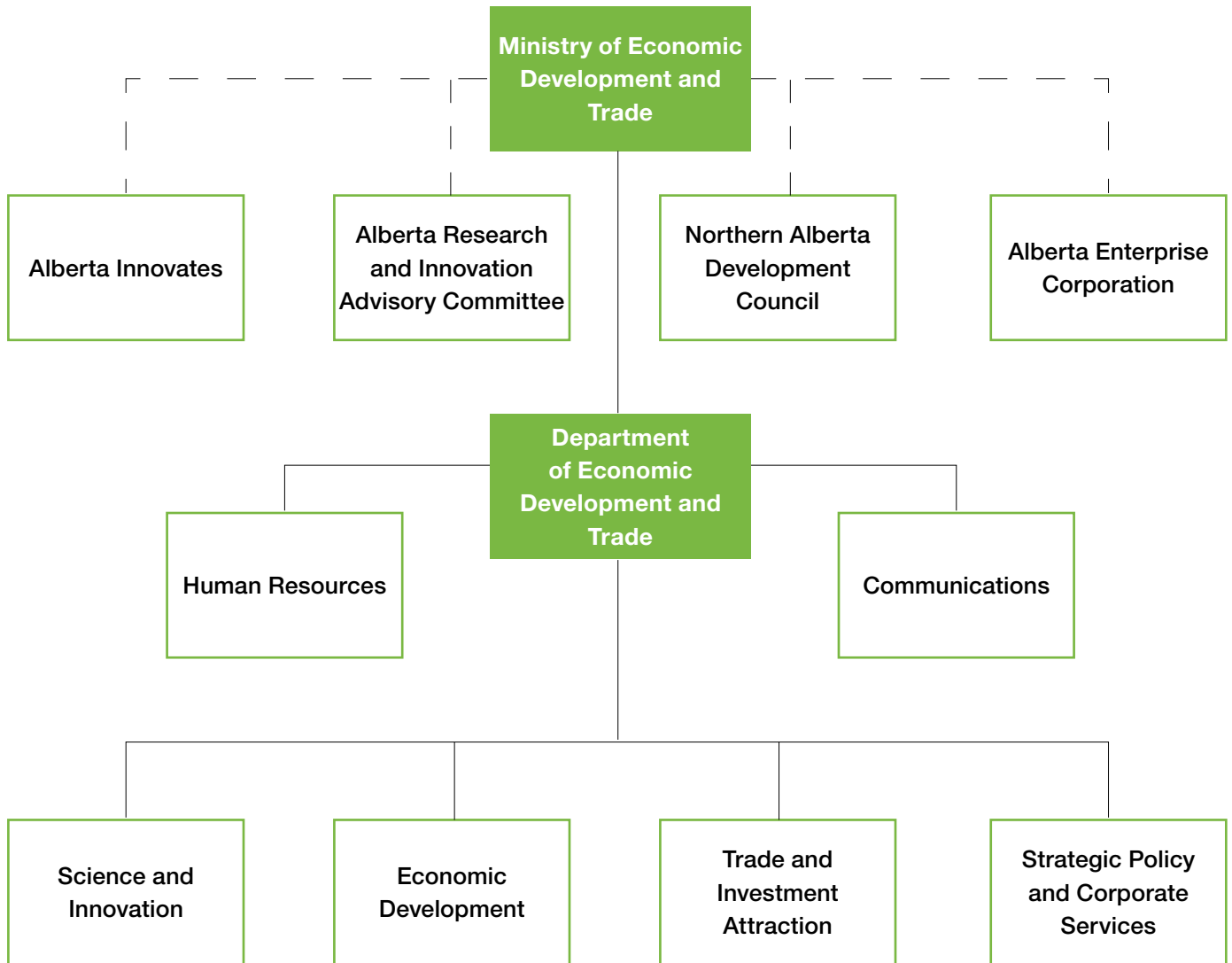
■ Ministry Overview

The Ministry of Economic Development and Trade leads efforts to diversify and make Alberta's economy resilient, support trade development, attract foreign investment, ensure business competitiveness and deliver opportunities for job creation. The ministry initiates, advances and implements economic development strategies, policies and programs that foster sustainable growth, encourage industry diversification, support small and medium-sized enterprises (SMEs), enhance market access and leverage innovation science and technology to provide economic, environmental and social benefits for all Albertans. The result is a dynamic, resilient and sustainable economy that supports and ensures Alberta's prosperity, now and into the future.

Organizational Structure

The ministry consists of the Department of Economic Development and Trade, which includes 12 international offices established in high-priority markets; Alberta Innovates; the Alberta Research and Innovation Advisory Committee; the Northern Alberta Development Council; and the Alberta Enterprise Corporation.

Figure 1 – Ministry of Economic Development and Trade 2016-17 Organizational Structure



Department of Economic Development and Trade (EDT)

The department includes three operational divisions and one supporting division, as well as human resources and communications branches. The responsibilities of these entities are as follows:

Science and Innovation

In order to strengthen Alberta's innovation system, this division is a lead funder and proponent of government-sponsored research and innovation. It promotes a cohesive research ecosystem, commercialization of innovative products and processes, and solutions for Alberta industry. It promotes collaboration between Alberta's small and medium-sized enterprises and international industry partners and jurisdictions.

Economic Development

In providing economic information and tools for businesses and investors, this division facilitates access to capital in Alberta, the adoption of technology and business practices, and efforts to increase the resiliency and diversification of industry. The division assists small and medium-sized enterprises and collaborates with communities and stakeholders to foster regional economic development and job growth.

Trade and Investment Attraction

Supporting a whole-of-government approach to promoting trade and attracting investment, this division leads Alberta's participation in domestic and international trade negotiations, and it advances and develops Alberta's strategic international interests and relationships. The division, which includes Alberta's network of international offices, offers services and supports such as market intelligence and networking opportunities for export-ready firms.

Strategic Policy and Corporate Services

This division provides corporate and strategic support to the ministry with a client delivery focus on services, including strategic planning and evaluation, finance, legal, legislative and governance services, as well as corporate administration, information and technology management, and compliance with the Freedom of Information and Protection of Privacy Act.

The division also provides information and technology management and Freedom of Information and Protection of Privacy services to the Ministry of Indigenous Relations through a memorandum of understanding between Economic Development and Trade and Indigenous Relations.

Human Resources

The human resources branch works in collaboration with all divisions to enable staff to meet department goals. It provides strategic advice for the attraction, retention, and development of department staff.

Communications

The communications branch provides strategic communications planning and media relations support to the department and the minister.

Alberta Innovates

Building on the province's strengths in environment, energy, health, food, fibre and emerging technologies, Alberta Innovates supports world-class researchers, entrepreneurs and industry innovators. It offers services, tools, expertise, partnerships and funding to focus on accelerating commercial outcomes. Alberta Innovates prepares an annual report separate from this one.

Alberta Research and Innovation Advisory Committee (ARIAC)

ARIAC provides expert and independent strategic advice and recommendations to the minister on research and innovation. ARIAC's international, national and provincial members represent a spectrum of experience in global innovation systems and act as ambassadors for Alberta's research and innovation system.

Alberta Enterprise Corporation (AEC)

Alberta Enterprise Corporation makes investments as a limited partner in venture capital funds focused on priority, under-served technologies. These include information, communications, life sciences, nanotechnology, and the environment. Alberta Enterprise Corporation prepares an annual report separate from this one.

Northern Alberta Development Council (NADC)

NADC plans, promotes and advises on practical measures to advance development in northern Alberta, both social and economic. It makes recommendations regarding government services and programs. NADC prepares an annual report separate from this one.



Discussion and Analysis of Results

Outcome One:

Alberta's economic development policies and programs support a sustainable and more diversified economy

Key strategies to support this outcome included:

- 1.1 Provide leadership for the development of sector strategies in the areas of petrochemicals, bio-industrial and clean technology.
- 1.2 Implement programming that will support companies and non-profits across the province to catalyze job creation.
- 1.3 Expand access to early and late-stage venture and growth capital, including examining the potential for microfinancing initiatives, such as marketplace loans and equity crowdfunding.
- 1.4 Deliver strategies and programs to enable small business start-up and scale-up success and ensure resilience in changing economic circumstances.
- 1.5 Develop a one-stop shop business portal that will provide current, comprehensive and easy-to-use economic information. Elements of the business portal will include the Alberta Regional Dashboard, a platform to communicate economic and industry news and a tool to promote export development.
- 1.6 Provide funding for community economic development to enhance urban and rural communities and help economic development organizations execute projects.

What this means:

Government is responsible for ensuring the economic environment is competitive and supportive. Government plays a role in fostering economic development, increasing trade, providing leadership, and creating linkages.

Our responsibilities:

Economic Development and Trade provides strategies and policies that remove barriers and create opportunities for businesses where Alberta has competitive strengths.

The ministry's work supports small and large businesses, promotes growth in the province's regions and communities, and creates high-quality, stable employment for Albertans.

It delivers economic development initiatives that support communities and sectors impacted the changing economy.

Economic Development and Trade supports the Premier's Advisory Committee on the Economy, and it provides counsel to the premier and cabinet on policies.

Results and Contributions from 2016-17:

Key Strategy 1.1: Provide leadership for the development of sector strategies in the areas of petrochemicals, bio-industrial and clean technology.

- EDT supported Alberta Energy with the evaluation of the Petroleum Diversification Program (PDP) applications.
- The PDP approved two projects to receive royalty credits to be paid out over three years after the beginning of production. The facilities are:
 - Pembina and PIC Propane Dehydrogenation Polypropylene Project, valued at \$3.8 billion to \$4.2 billion of investment. Pembina will receive up to \$300 million in PDP funding.
 - Inter Pipeline's Alberta Propane Dehydrogenation Project, valued at \$1.85 billion. Inter Pipeline will receive up to \$200 million in PDP funding.
- The resulting investment of roughly \$6 billion will provide approximately 3,700 to 4,200 construction jobs as well as over 240 full-time jobs.
- EDT is also engaging with unsuccessful PDP applicants to maximize potential investment in Alberta.
- EDT initiated development of a bioenergy program to replace the Bioenergy Producer Credit Program that expired March 31, 2016. The program was then transferred to the Alberta Climate Change Office for implementation.
- EDT commenced efforts to develop a clean technology sector strategy for Alberta through focused discussions with stakeholders and baseline analysis on provincial and global clean technology opportunity areas.

Performance Indicator

In 2015, there was a 1.6 per cent decrease in Alberta's manufacturing and commercial services GDP.

The drop in manufacturing and commercial services GDP can largely be attributed to a steep decline in manufacturing (-5.6 per cent) and professional, scientific and technical services (-5.6 per cent) due to decreased activity in Alberta's oil industry. Some subsectors of this grouping experienced increases in their GDP: transportation and warehousing (2.6 per cent), finance and insurance (5.3 per cent), arts, entertainment and recreation (3.6 per cent).

Key Strategy 1.2: Implement programming that will support companies and non-profits across the province to catalyze job creation.

Key Strategy 1.4: Deliver strategies and programs to enable small business start-up and scale-up success and ensure resilience in changing economic circumstances.

- As a result of consultations and feedback received from the business community, the Jobs Creation Incentive Program, introduced in fiscal 2015-16, was reprofiled into the Alberta Jobs Plan as part of Budget 2016. The Alberta Jobs Plan includes initiatives across a number of ministries to invest in infrastructure; diversify Alberta's economy; support small- and medium-sized businesses; improve access to capital, encourage investment and expand market options; and provide Albertans with new training opportunities while protecting services for families.
- Two tax credits were created under the Investing in a Diversified Alberta Economy Act: the Capital Investment Tax Credit (CITC), and the Alberta Investor Tax Credit (AITC). As part of the Alberta Jobs Plan, the CITC and AITC allocate \$160 million to support innovation, diversification and job creation:
 - The AITC is a \$90 million program that offers a 30 per cent tax credit to investors who provide capital to Alberta small businesses doing research, development, or commercialization of new technology, new products or new processes between April 14, 2016 and December 31, 2019. The AITC launched on January 16, 2017, and received 126 applications as of March 31, 2017 from corporations seeking to be registered as Eligible Business Corporations and Venture Capital Corporations under the AITC. Following registration, corporations can apply to begin to raise equity, and then apply for tax credit certificates on behalf of their investors. Applications for tax credits will be considered until the annual budget has been fully allocated.
 - The CITC is a two-year, \$70 million program that provides a non-refundable tax credit valued at 10 per cent of a corporation's eligible capital expenditures, up to \$5 million. The CITC encourages companies to make timely capital investments by returning a percentage of the company's costs, including the purchase of machinery, equipment and buildings. The first intake for the CITC ran from January 16 to February 15, 2017, when 61 applications were received for projects throughout the province. CITC is a competitive program, and all applications are reviewed to ensure legislative, regulatory, and program requirements are met.

- EDT maintains a partnership with Western Economic Diversification to deliver services through Business Link, a non-profit organization that helps Alberta entrepreneurs start their own businesses by providing access to webinars, business advisors and in-person, phone and email services. EDT also partners with organizations like Futurpreneur, a non-profit organization that provides financing, mentoring and support tools to aspiring business owners aged 18-39, and Alberta Women Entrepreneurs, a not-for-profit organization dedicated to enabling women to build successful businesses by providing unique programs and services to women at all stages of business through advising, financing, mentoring, and skills and network development. It also offers help to small and medium-sized businesses through:
 - Alberta Small Business Resources website: a one-stop-shop for small business information, including information on starting, operating and funding a business; regulations for small businesses; and one-on-one supports.
 - Small Business Advisor Program: a service unique to Alberta delivered through Business Link, which has provided free one-on-one advice to more than 2,000 small businesses and entrepreneurs since its launch in 2014. Advice is focused on helping clients navigate provincial regulations and small business support programs. Ninety-eight per cent of clients report good or excellent service and usefulness of information provided to them.
 - Rural Alberta Business Centres: the centres, staffed by a small business advisor provide services to rural entrepreneurs and small businesses through one-on-one business advice, research services, seminars, workshops, and access to relevant information about small businesses and business opportunities to assist entrepreneurs and small businesses in making informed business decisions. The four walk-in sites are located in Camrose, Cold Lake, Hanna and Rocky Mountain House.
- Small and Medium Enterprise (SME) and Service Provider workshops: in partnership with the Alberta Chambers of Commerce, EDT hosted 11 workshops across Alberta to foster greater collaboration and increased knowledge of business support organizations and programs. The workshops helped to strengthen the provincial network of business service providers, and delivered training resources to SME's in order to better understand the supports that exist in the province.
- Canada is one of many countries moving away from coal-powered electricity. Alberta has committed to the elimination of coal-fired emissions from Alberta's electricity system by 2030. To understand the impacts and opportunities arising from the transition, EDT has formed the Advisory Panel on Coal Communities and appointed experienced members to meet with municipalities, affected workers, employers, community economic development organizations, small businesses, and First Nations. The panel will also submit a report with recommendations on how to support workers and communities during the transition.

- EDT has dedicated staff to provide secretariat support to the Advisory Panel on Coal Communities, ensuring stakeholders are able to share their perspectives with the panel, and also that information on this issue is shared with relevant departments. Also, EDT is administering a web-based survey open to all Albertans who wish to share views on coal transition.
- A letter of intent between the Government of Alberta (GoA) and Business Development Bank of Canada (BDC) has improved access to capital for Alberta small business. EDT is managing the implementation of this letter of intent. New initiatives from it include a \$1 billion co-lending fund with ATB Financial; a top-up of the BDC initiative for the oil and gas sector to \$500 million from \$350 million; the opening of a new BDC office in Sherwood Park; and the offer of loans on modified terms to small businesses in the Regional Municipality of Wood Buffalo affected by the May 2016 wildfire.

Key Strategy 1.3: Expand access to early and late-stage venture and growth capital, including examining the potential for microfinancing initiatives, such as marketplace loans and equity crowdfunding.

- The Alberta Securities Commission in 2016 introduced two exemptions to increase the ability of Alberta companies to raise capital. The Multilateral Instrument 45-108 and ASC Rule 45-517 provide businesses with an exemption from a prospectus requirement, lowering the cost to early stage Alberta companies raising equity capital. In particular, Multilateral Instrument 45-108 will allow small or medium-sized businesses to raise more capital through crowdfunding offerings across multiple jurisdictions in Canada. EDT supported the Ministry of Treasury Board and Finance and Alberta Securities Commission in these efforts.
- The Government of Alberta committed \$75 million to invest in AEC for investment in venture capital funds.

Performance Measures

Alberta Enterprise Corporation (AEC) funds have been invested in 30 Alberta companies (as of March 31, 2017)

Value of Alberta Enterprise Corporation (AEC) and their syndicate partners' investment in Alberta businesses: \$376.9 million (as of March 31, 2017)

The AEC has invested in 12 venture capital funds that have expanded or opened offices in Alberta. They in turn have invested a cumulative \$376.9 million in 30 Alberta companies.

The sectors include information and communications technology, clean technology, life sciences including agri-food, and energy technologies. These investments have helped foster innovation and economic diversification, as well as the creation of 1,119 direct jobs and 1,455 indirect jobs.

Source: Alberta Enterprise Corporation - Current data is reported by AEC as of November 2016 as their latest available data while AEC completes its 2016-2017 Annual Report to be released in June. AEC requires that the data be directly provided from the funds in which they invest. AEC then removes double counting and provides the information to EDT. EDT reviews the information with AEC to ensure that the information is accurate and allocated correctly.

Key Strategy 1.5: Develop a one-stop shop business portal that will provide current, comprehensive, and easy-to-use economic information.

- Currently, the information provided by the Government of Alberta for businesses, investors, and economic developers is fragmented. The business portal will create coordinated tools that promote investment attraction, job creation, and exports. Funding of \$6 million over three years for the portal was secured through Service Alberta. Ten ministries have been identified for the potential inclusion in the project; governance for the portal has been developed; and a test site has been built.
- Complementary initiatives under development in 2016-17 include the launch of the Alberta Regional Dashboard website as well as modernization of the Alberta Economic Dashboard and Major Projects Map websites.

Key Strategy 1.6: Provide funding for community economic development to enhance urban and rural communities and help economic development organizations execute projects.

- EDT administers the Community and Regional Economic Support (CARES) program, which provides \$30 million in funding for community economic development projects to enhance urban and rural communities. CARES is a \$30 million program that funds initiatives of Alberta municipalities, communities, and regions. The first of three competitive intake windows ran from October 1 to November 30, 2016. Approximately \$10.5 million in grants were requested through 88 applications by major cities, small towns and villages, First Nations, business revitalization zones, and other not-for-profit groups. Funding was approved for 63 of them, totalling \$4.83 million. The second round intake for CARES ran from April 1 to May 31, 2017.
- The Northern Alberta Development Council (NADC) partnered with Advanced Education to administer the NADC and First Nations, Métis and Inuit (FNMI) bursary programs, attracting health and education professionals to the north.
- EDT led the development of the Investing in a Diversified Alberta Economy Act, which included a section on Community Economic Development Corporations (CEDCs). The CEDC program will provide a 30 per cent tax credit to investors who invest in eligible community economic development investment funds and cooperatives. Community economic development can contribute to a number of stated government economic goals, including job creation, diversification, and small business growth. The CEDC program is expected to launch in Fall 2017.
- EDT supports community economic development by providing tools and resources on the Community Economic Development web portal: <http://communityeconomicdevelopment.alberta.ca/>
- EDT supports regional economic development by providing core funding to Regional Economic Development Alliances (REDAs).

Outcome Two:

Trade and investment opportunities are grown and diversified by leveraging Alberta's strengths and capabilities

Key strategies to support this outcome included:

- 2.1 Establish a dedicated branch to retain existing investment and attract new direct investment and portfolio capital to Alberta which will create employment opportunities for Albertans.
- 2.2 Develop and implement a new trade strategy to strengthen and diversify Alberta's economy by supporting small and medium-sized enterprises to enter and expand their international markets based on sector priorities.
- 2.3 Develop and implement an international engagement strategy to prioritize the province's international engagements, particularly in support of Alberta's Climate Leadership Plan.
- 2.4 Build and leverage relationships and partner with other economic development agencies, industry associations and governments to strategically and consistently promote economic opportunities that diversify Alberta's economic base.
- 2.5 Lead Alberta's participation in the negotiations on a renewed Agreement on Internal Trade, and in the implementation of the Comprehensive Economic and Trade Agreement. Defend Alberta's interests in negotiations and/or trade actions related to softwood lumber and assess the impact of the Trans-Pacific Partnership.
- 2.6 Leverage our international offices and relationships with multinational enterprises to improve Alberta's performance in the innovation focus areas of health, climate change mitigation and clean technology.

What this means:

Trade and investment are vital to Alberta's economic stability and success. Government plays a critical, multifaceted role in enabling Alberta businesses to access new markets for trade and investment, while protecting the public interest. Government is responsible for building relationships with foreign governments and policy makers, based on understanding of common interests. Government is also responsible for representing the province in international and domestic trade agreements.

Our responsibilities:

Economic Development and Trade promotes Alberta's goods and services to target markets. For Alberta companies, it identifies international opportunities and market intelligence, and then follows up with commercial services.

The ministry promotes opportunities in Alberta to attract and retain foreign direct investment and capital that will strengthen and grow Alberta's industries. It actively monitors and assesses major foreign investment proposals in the province.

The ministry fosters strong, coordinated relationships with foreign governments and policymakers that advance Alberta's interests in existing and new target markets.

Economic Development and Trade leads Alberta's participation in domestic and international trade negotiations, ensuring provincial priorities are addressed and modern trade agreements are built on effective rules-based systems. The ministry negotiates and advocates for rules and frameworks that reduce barriers to trade and investment, while preserving Alberta's ability to defend the public interest.

Economic Development and Trade supports the Premier's Advisory Committee on the Economy, and it provides counsel to the premier and cabinet on policies.

Results and Contributions from 2016-17:

Key Strategy 2.1: Establish a dedicated branch to retain existing investment and attract new direct investment and portfolio capital to Alberta which will create employment opportunities for Albertans.

- The Invest Alberta branch was established in early 2016 to act as a seamless, single point of contact for investors considering Alberta as a destination to establish or supplement their businesses. A permanent head of the branch was installed in October 2016. The branch works closely with ministries and other partners to deal with opportunities promptly, professionally and effectively. At year end, Invest Alberta was working on 71 opportunities from 15 countries. The range of opportunity varies greatly in complexity and maturity, but in aggregate they represent approximately \$15 billion in potential investment and nearly 8,200 jobs (not including construction jobs).
- In partnership with other ministries and with Calgary Economic Development and Alberta's Industrial Heartland, Invest Alberta led the program development and delivery of the Stampede Investment Forum. As Alberta's premier annual investment event, it attracted 65 attendees from 39 companies and 14 countries. Of those in attendance 93 per cent would consider investing, or expanding their presence in Alberta, and 100 per cent felt they were better informed to consider an investment.

Performance Indicator

Alberta's rank compared to other provinces and territories in total investment per capita:
3rd (2015 actual)

In 2015, Alberta dropped to number three in rank compared to other provinces and territories in total investment per capita behind the Northwest Territories and Nunavut. A large investment in northern mining coupled with a relatively small population propelled the Northwest Territories and Nunavut to the top of the list.

Performance Indicator

Total investment into Alberta per capita:
\$27,085.20 (2015 actual)

The total investment into Alberta per capita had been steadily increasing since 2011. In 2015 this dropped by approximately \$5,700 per person from 2014. This decline between 2014 and 2015 was the result of a sharp decline in oil and gas investment (as a result of the steep drop in oil and gas prices that started at the end of 2014).

Performance Indicator

Total value of Alberta's exported products and services: \$105.5 billion (2015 actual)

The total value of Alberta's exported products and services dropped by \$9.2 billion from 2014. The decline in the total value of Alberta's exported products and services is a direct result of the decline in oil prices.

Performance Indicator

Total value of Alberta's exported products outside of United States: \$12.4 billion (2015 actual)

The total value of Alberta's exported products outside of the United States was \$100 million less than in 2014. Though there was a great deal of variability in the total export number, exports outside of the United States remained relatively stable year-over-year.

Key Strategy 2.2: Develop and implement a new trade strategy to strengthen and diversify Alberta's economy by supporting small and medium-sized enterprises to enter and expand their international markets based on sector priorities.

International Trade and Investment Strategy

EDT is currently working to create a trade and investment strategy with the aim of strengthening and diversifying Alberta's economy. The International Trade and Investment Strategy will serve as a guide for future trade and investment initiatives in Alberta. To create this strategy, EDT is gathering intelligence on priority markets and sectors from leads across government. EDT is also conducting an analysis of trade data and tariffs, as well as modelling of complexity economics, to prioritize Alberta's international markets.

Alberta Export Expansion Package

On October 1, 2016, EDT launched the Alberta Export Expansion Package (AEEP), a suite of programs to support small and medium-sized enterprises in making informed business decisions when entering new markets, increasing business activities in targeted foreign markets, and attracting investment to Alberta.

The AEEP includes the following:

- Export Support Fund:
 1. Export Support Fund: qualified applicants receive matching grant funding of up to \$20,000 annually to cover the costs associated with entering new markets.
 2. Exhibition Support Fund: covers costs of booth space, up to 85% of booth costs.
 3. Industry Association Support Funding: receive up to 75% of eligible costs.

Performance Measure

69 per cent of clients indicated that Alberta's trade policy supports opportunities for exports (2015-16 actual)

This result of client satisfaction shows a decrease of one per cent over the preceding year.

Source: Economic Development and Trade Client Survey – Confidence level 95%; n=312

Performance Measure

63 per cent of clients indicated that Alberta's trade policies encourage investment. (2015-16 actual)

The results show a slight decrease of two per cent from the previous year's results. The linkage between investment and trade policy, however, is less clear than the linkage to exports. Alberta's investment attraction efforts still benefit from the rules-based, predictable framework that Alberta's trade policy is designed to provide.

Source: Economic Development and Trade Client Survey – Confidence level 95%; n=312

- Global Buyers and Investors Program: \$5,000 to \$50,000 facilitating incoming international visits of qualified buyers or qualified investors looking for partners.
- Export Readiness Program: Alberta SMEs will be positioned to make more informed decisions when entering new markets

In 2016-17 AEEP supported the following:

- 102 SME Export Support Fund applications were approved for 93 companies, travelling to 33 countries.
- The fund supported 12 EDT exhibition booths in 11 countries.
- Support was extended to six industry associations travelling to six countries. The Global Buyers and Investors Fund supported four delegations from three countries in 2016-17.
- The Export Readiness Program also provides online tools, seminars and workshops. In fiscal 2016-17, 30 stakeholder engagement events were hosted across Alberta, assisting with export readiness.

Access to Capital

The ministry collaborated with the Business Development Bank of Canada (BDC), Export Development Canada (EDC), and ATB Financial to expand options for financing and investment for companies working to expand exports.

Key accomplishments include:

- As of December 31, 2016, BDC authorized 1,150 loans to Alberta businesses and provided consulting services to 155 businesses.
- In February 2017, BDC provided \$350 million to support oil and gas companies. This was above the initial \$489.3 million in loans, including \$285.4 million for Alberta SMEs.
- BDC created a small business loans program with no principal payments for 12 months for the Regional Municipality of Wood Buffalo, with 34 clients taking the offer.
- BDC partnered with ATB Financial to create a joint lending fund of \$1 billion for Alberta companies.
- EDT, BDC, Alberta Innovates, ATB Financial and AEC collaborated to enhance access to capital through working and steering group meetings, with EDC also participating.
- ATB established two entrepreneurship centres in Edmonton and Calgary to provide networking, business plan support and banking solutions for Alberta SMEs.
- ATB also launched crowd lending and funding platforms to improve access to capital for SMEs.

Key Strategy 2.3: Develop and implement an international engagement strategy to prioritize the province's international engagements, particularly in support of Alberta's Climate Leadership Plan.

EDT worked on the early stages of an international engagement strategy, as well as supporting incoming visits from international delegations. The Climate Leadership Plan is demonstrating that Alberta can be both an energy leader and an environmental leader. Showcasing this strength is helping to open new markets and diversify investment in the province.

International Engagement Strategy

Since the 2016 United States Presidential election, the Alberta government has been working closely with the Canadian government and our industry partners to advance the province's interests with the new U.S. administration, in a respectful and collaborative way. Alberta could face a number of issues, including the modernization of the North American Free Trade Agreement and a border adjustment tax on U.S. imports. EDT convened a working group to develop an international engagement strategy to serve the broad needs of government, as well as achieve goals for trade, investment and market diversification. EDT will continue work on the strategy in 2017-18 in collaboration with other Alberta ministries.

Visit Highlights

In consultation with other ministries, EDT develops programs for incoming international delegations (including foreign government officials and parliamentary groups, heads of mission, companies, industry associations, and investors). In 2016-17, EDT, in partnership with the Alberta Protocol Office, received 28 senior level international delegations; this is in comparison to 25 in 2015-16. Some examples of visits EDT contributed to this year include:

- In spring 2016, the visit of economic heads of mission outreach focused on women entrepreneurs in Alberta. The visit resulted in more than two dozen ambassadors, chargé d'affaires, high commissioners, and minister-counsellors learning about economic diversity and opportunity in Alberta. The outreach offered panel discussions with representatives from private industry on opportunities for women in various industry sectors. Participants also visited post-secondary institutions, and engaged with leaders from Indigenous communities. Premier Notley and Minister Bilous participated.
- In August 2016, in collaboration with Global Affairs Canada, Alberta welcomed the secretary general of the United Nations to Calgary. The secretary general met with the lieutenant governor of Alberta, and several government representatives including the deputy premier and ministers of Health and Indigenous Relations. The program included meetings with Syrian refugees, representatives of Alberta's Indigenous community, and a youth-focused speaking engagement at the University of Calgary.

- In November 2016 EDT helped organize a briefing day for Canadian and British delegates participating in the 2016 Canada-UK Colloquium. Under the theme of “The Transition to a Low Carbon Economy,” the briefing provided an update on Alberta’s Climate Leadership Plan and actions to date. The day included remarks from Minister Shannon Phillips, a keynote luncheon address by Premier Rachel Notley, and presentations from 12 Alberta-based experts. This event provided direct access to dozens of international thought leaders, and an opportunity to impress upon them the province’s role as a domestic and global leader on climate change. A recently released podcast on the Colloquium from the University College London highlights Alberta’s leadership, and a forthcoming public report from the Colloquium organizers is expected to do the same. EDT will work with the Ministry of Energy to build on this momentum and move related initiatives forward under the Alberta-UK Low Carbon Innovation and Growth Framework.
- The official visit of Minister Shen Haixiong, standing committee member of the Communist Party of China (CPC) Guangdong provincial committee, and director general, publicity department of CPC Guangdong provincial committee (China), was an opportunity to discuss sustainable energy, green technologies, logistics, tourism, film, agriculture and agri-food, artificial intelligence, education, and two-way investment. The visit laid the foundation for Minister Bilous to sign an MOU focused on technology partnerships with the Guangdong department of science during the minister’s visit to Guangdong in November 2016.
- In June 2016, the Bavarian Committee on Environment and Consumer Protection did a fact-finding mission in Banff and Calgary. The delegation included 15 elected parliamentarians and Alberta-based German consular representation. Alberta was showcased as a vibrant market for business and investment, with a focus on Alberta’s conservation and wildlife protection efforts and the Climate Leadership Plan.
- A delegation of 12 companies from the Korean Importers’ Association travelled to Edmonton and Calgary on a buyer’s mission in October 2016, focused on the following sectors: chemical, agriculture, food and dairy, beauty products, electronics, industrial equipment and information communications technologies. This buyer’s mission was a direct result of the minister’s March 2016 meeting with Mr. Shin, chairman and CEO of the association, in South Korea, where he signed a memorandum of understanding between the Government of Alberta and the Korean Importers’ Association, and where the minister invited Mr. Shin to visit Alberta.

Key Strategy 2.4: Build and leverage relationships and partner with other economic development agencies, industry associations and governments to strategically and consistently promote economic opportunities that diversify Alberta's economic base.

Alberta's relationships provide context within which the ministry can advocate on behalf of Alberta, focusing on trade, investment, diversification, job creation and innovation. EDT often develops Alberta's strategic international relationships in collaboration with provincial, federal and private stakeholders. Several avenues for this are listed below.

Domestic Premier Missions

In 2016-17, EDT supported the premier's travel to build relationships with other governments through 11 domestic missions associated with the Council of the Federation, First Ministers' Meetings, Western Premiers' Conference, and government-to-government meetings.

Engagement with U.S. Transboundary Organizations

The Government of Alberta maintains memberships in a number of transboundary organizations in the U.S. State-level engagement with legislators, governors, and organizations as an effective way of enhancing economic partnerships. Alberta MLAs participated in seven transboundary events in Canada and the U.S. during the fiscal year. MLAs spoke about Alberta's policy positions and highlighted Alberta's climate change leadership plan and renewable energy initiatives. EDT played a major role in hosting the Pacific NorthWest Economic Region (PNWER) annual summit in Calgary, July 2016, where a number of meetings were held. The meetings were attended by Minister Bilous, legislators from Oregon and Washington State, and the U.S. Ambassador to Canada, Bruce Heyman, amongst others.

ICT West

ICT West is a three-year project, funded by contributions from industry, provincial partners (Alberta, British Columbia, Manitoba and Saskatchewan), and Western Economic Diversification, to increase global market access for Alberta and Western Canadian technology companies. It is an example of collaboration between industry and all orders of government to help diversify Alberta's economy, create new jobs in the technology sector, increase access to global markets, and promote Alberta as a hub for innovation and technology expertise. Economic Development and Trade led Alberta's participation in three major events under the ICT West banner:

- At Web Summit, a global technology event held in Portugal, November 2016, EDT identified 55 qualified trade, investment, and research and development collaboration leads.

- At the Consumer Electronics Show, held January 2017 in Las Vegas, Nevada, one Alberta company, Cleo Robotics, won the much coveted CES Innovation award. Eighty percent of the participating companies' respondents to the follow-up survey indicated they acquired new business leads as a result of the mission.
- At Mobile World Congress, held February 2017 in Spain, 11 Alberta organizations participated. They benefited from pre-arranged meetings with global leaders in mobile technologies and with 18 trade commissioners from Europe, Asia, Americas, Middle East and Africa, who can provide the companies with market assistance in their countries.

Americana Environmental Forum and International Trade Show

EDT, in coordination with Environment and Parks, Alberta Climate Change Office, Emission Reduction Alberta and the Alberta Electrical System Operator spoke and exhibited at the biennial Americana Environmental Forum and International Trade Show in Montreal in March 2017. EDT acquired strategic market intelligence and industry knowledge at this event, which it shared with industry stakeholders. It also positioned Alberta and Alberta companies as credible leaders in environmental policy and solutions.

The Alberta International Development Office and International Financial Institutions (IFI)

- Over 100 participants attended an IFI Bootcamp, organized by the Government of Alberta in collaboration with the Governments of Saskatchewan and Manitoba. It included presentations by the World Bank, Inter-American Development Bank and Asian Development Bank and an interactive seminar on how to write winning proposals. It demonstrated the role EDT can play in facilitating bids on international projects through international financial institutions.
- Another 50 participants attended the business opportunity seminar with international financial institutions, which focused on how to work on projects with the Asian Development Bank, World Bank Group, Inter-American Development Bank, African Development Bank, and the European Bank for Reconstruction and Development. Participants learned about upcoming business opportunities, strategies of successful companies, and improving their competitiveness.
- The Alberta International Development Office in collaboration with Transparency International Canada organized a conference focused on anti-corruption compliance in an environment of low oil prices.

Canada Association of Southeast Asian Nations Business Council

The Canada Association of Southeast Asian Nations Business Council, which is headquartered in Singapore, launched its first Canadian office in Calgary in May 2016. It is focused on membership expansion, strategic partnerships with Canadian institutions, and hosting of industry specific events to promote trade. The council is also an important partner for EDT in providing support for Alberta interests in the broader southeast Asian region. The establishment of the first council office in Alberta is a reflection of the growing economic ties between Alberta and the Association of Southeast Asian Nations.

Engagement with Port Authorities on the West Coast

- EDT and the Vancouver Fraser Port Authority signed a memorandum of understanding in November 2016 to improve access for Alberta products through the Port of Vancouver and to support Alberta industry to improve export readiness.
- Collaboration is established between the port authority and ministries of the Government of Alberta to identify opportunities to advance the export of Alberta waterborne cargo, including of energy products to benefit both provincial economies.
- In partnership with regional stakeholders and the Port of Prince Rupert, EDT co-funded a research study to identify challenges for supply chains of export commodities. This forms the basis for expanding trade of Alberta commodities and products through the ports of British Columbia.

Other Economic Development Partnerships

- The Northern Alberta Development Council (NADC) determines socio-economic priorities, opportunities and strategies through consultation with northern stakeholders. The NADC coordinated Alberta's participation in the 2016 Northern Development Ministers Forum. As well, it hosted seminars on key opportunities for northern Alberta's emerging bio-fibre-food industry and the alternative and renewable energy industries.
- EDT, in partnership with the NADC and Alberta's Regional Economic Development Alliances, provided \$181,500 to assist communities and regions to gain a better understanding of the current state of broadband. This includes existing and planned municipal broadband infrastructure, service footprints and service levels.
- The University of Alberta, in partnership with EDT, released Understanding Community Broadband: The Community Broadband Toolkit. It assists Alberta communities to develop broadband solutions.
- Community economic development was supported through the Back to Business Resource Centre, a one-stop shop for businesses returning to Wood Buffalo to get local, municipal, provincial and federal resources to assist with recovery from the Wood Buffalo wildfire.
- Annual Regional Economic Development Alliance funding of \$1 million and advisory support were extended to not-for-profits, municipalities and local economic development organizations in all regions.
- EDT provided a grant to the Southern Alberta Alternative Energy Partnership, a collaboration of 38 communities to explore renewable energy opportunities.
- EDT supported industry associations for oil and gas through the "Going Global" initiative that identifies target markets abroad that offer preparedness training.
- EDT provided financial support to the Canadian Centre for Welding and Joining to lead a technology-adoption mission to Fabtech 2016, North America's largest metal forming, fabricating, welding and finishing event. EDT helped to recruit companies to attend the event and through the centre provided independent technology coaching to help these companies optimize their investments in new equipment and machinery.

Key Strategy 2.5: Lead Alberta's participation in the negotiations on a renewed Agreement on Internal Trade, and in the implementation of the Comprehensive Economic and Trade Agreement. Defend Alberta's interests in negotiations and/or trade actions related to softwood lumber and assess the impact of the Trans-Pacific Partnership.

EDT worked closely with the federal government, provinces and stakeholders to ensure Alberta's interests were reflected in Canada's trade and investment agreements, including dispute resolution. EDT kept other ministries informed of trade obligations and helped keep new Alberta measures consistent with those obligations.

Canadian Free Trade Agreement

Throughout the last fiscal year, EDT represented Alberta's interests during negotiation of the Canadian Free Trade Agreement. The premier and her counterparts gave their agreement in principle to the new trade agreement in July 2016. The final agreement, complete with the release of the text, was announced on April 7, 2017. This agreement is intended to provide Alberta firms with a guaranteed level of access wherever they may operate in Canada.

New West Partnership Trade Agreement

On January 1, 2017, Manitoba joined the New West Partnership Trade Agreement, thus strengthening and expanding Canada's largest, barrier-free interprovincial market. With the addition of Manitoba, the partnership creates an open, common market of over 11 million people, with a combined GDP of over \$750 billion across the four western provinces. The New West Partnership Trade Agreement provides more market access between members than the Canadian Free Trade Agreement.

Performance Measure

79 per cent of clients indicated that EDT helped them connect with clients who otherwise would have been difficult to identify/access. (2015-16 actual)

These results show an increase in satisfaction from the previous year's results of 76 per cent. EDT has focused on increasing collaboration with other provinces and establishing closer relationships with federal trade commissioners in foreign markets. The result is that Alberta companies have more opportunities to form partnerships with other Canadian companies and increase their access to foreign markets. Additionally, the launch of the Alberta Export Expansion Package in October 2016 is expected to significantly expand opportunities for Alberta companies to identify and access contacts in foreign markets.

Source: Economic Development and Trade Client Survey – Confidence level 95%; n=312

Canada/European Union: Comprehensive Economic and Trade Agreement (CETA)

EDT undertook research and coordinated input from other ministries to ensure Alberta's readiness to implement the CETA. The agreement was signed by Canada and the EU on October 30, 2016, and is expected to be provisionally applied in mid-2017, once Canada has completed all of its legislative and regulatory changes. The agreement will provide Canadian firms with preferred access to the European Union market and provide Canada an advantage over competitors from the U.S., which does not have an agreement with the European Union.

In partnership with the federal government, EDT and the economic development agencies of Calgary and Edmonton organized Canada-EU CETA business forums on February 1, 2017 in Calgary and February 2, 2017 in Edmonton. The forums promoted CETA's benefits and opportunities to Alberta businesses. They attracted approximately 210 participants, covering a variety of sectors including agriculture, agri-foods and health services.

Softwood Lumber

At the end of the 2016-17 fiscal year, EDT was preparing for the possibility that the U.S. might begin imposing countervailing duties on Canadian softwood lumber exports. In the preparation of Canada's defense, EDT continued to work closely with Agriculture and Forestry, legal counsel in Washington, D.C., the federal government, and other provinces on appeals and challenges under international trade agreements. Negotiations to reach a settlement in this case were on hold, pending an indication from the U.S. Administration that they were prepared to re-engage with Canada.

Trans-Pacific Partnership (TPP)

EDT conducted assessments of the benefits of TPP; of the withdrawal of the U.S. from the TPP; and of alternative approaches to preserve access to TPP markets, including Japan. EDT has been working with the federal government to consider such approaches.

Performance Measure

74 per cent of respondents indicated that as a result of the information they received from EDT they were able to make an informed business decision. (2015-16 actual)

The most recent results show a six per cent increase in the number of clients who agreed that EDT helped them make an informed business decision compared with the previous year. EDT has focused on proactive outreach to new Alberta companies, leading to an increase in the number of companies that access government support. Additionally, the introduction of a client relationship management system has made it easier and more efficient to share information broadly and in a timely manner with Alberta companies.

Source: Economic Development and Trade Client Survey – Confidence level 95%; n=312

North American Free Trade Agreement (NAFTA)

The U.S. Administration indicated its interest in modernizing NAFTA. Although no formal process was initiated at the end of fiscal 2016-17, a modernization of this fundamental economic agreement represents a significant challenge for Canada and Alberta.

EDT assessed the potential for the U.S. government to seek to renegotiate or terminate NAFTA in favour of bilateral agreements (i.e., U.S.-Canada, U.S.-Mexico, Mexico-Canada) and the implications for Alberta's exporting and importing companies. EDT has prepared for both possibilities. It has:

- Established a cross-ministry working group to identify priorities and coordinate Alberta approaches to negotiations.
- Provided preliminary input and support to the federal negotiating team, identifying Alberta's willingness to work cooperatively on this issue.

EDT continued to monitor cases under consideration by a NAFTA dispute settlement tribunal; these rulings help the ministry interpret the application of the NAFTA to provincial measures.

China Free Trade Agreement

Global Affairs Canada is conducting exploratory discussions on free trade with China. This negotiation, if it is launched, could be one of the most complicated trade policy initiatives that Canada has undertaken. EDT is preparing for potential Canada-China free trade agreement negotiations via the following initiatives:

- Contracted with the University of Alberta's China Institute to provide research on Chinese state owned enterprises and their role in free trade negotiations and in subsequent bilateral trade and investment initiatives (concluded in 2016-17).
- Established a cross-ministry working group to identify government priorities in China and in any free trade negotiations (ongoing).
- Initiated in-house economic analysis of Alberta trade flows with China and likely tariff reduction priorities (to be concluded early in fiscal 2017-18).
- Engaged in outreach to Alberta economic development and industry associations to identify sector-specific priorities in any negotiations (to continue through 2017-18).
- Worked with federal and other provincial officials to identify preliminary interests in and the possible scope of negotiations (ongoing).

Investment Canada Act Reviews

- Provided input to the federal government regarding separate reviews of 12 proposed foreign acquisitions as per the Investment Canada Act. The input outlines the potential positive/negative impact on Alberta.
- Assessed the impact of the Investment Canada Act and related federal policies on Alberta's ability to attract quality foreign direct investment in all industry sectors, including oil sands.

Key Strategy 2.6: Leverage our international offices and relationships with multinational enterprises to improve Alberta's performance in the innovation focus areas of health, climate change mitigation and clean technology.

Alberta's international offices support economic growth, advance trade and investment opportunities, attract investment, and strengthen Alberta's reputation globally. The examples below demonstrate the intrinsic link between EDT's staff in Alberta and EDT's international staff.

Premier Notley's 2016 International Missions

This year, Premier Notley undertook four international missions, which were jointly organized by EDT and the Alberta-Washington office, to the following locations:

- April 2016 – Washington, D.C., to establish links with the U.S. government and provide an update on Alberta's progress on the Climate Leadership Plan.
- September 2016 – New York, NY, to promote Alberta's Climate Leadership Plan to global leaders, and meet with investors and business leaders during New York's Climate Week.
- February 2017 – Washington, D.C., to engage with members of Congress as well as industry and think-tank community representatives to promote the importance of Alberta's bilateral relationship with the U.S.
- March 2017 – Houston and Austin, TX, to attend CERA Week in Houston, the premier annual international gathering of energy industry leaders, experts, government officials and policymakers, to promote Alberta's attractiveness for investment, its modernized royalty system, and its predictable and progressive climate policies that support sustainable energy development. In Austin, Premier Notley met with the Texas governor as well as innovation experts.

Minister Bilous' 2016 Mission to Asia

A combined 86 companies, municipalities, universities, and associations joined this mission to China in November 2016, led by EDT in partnership with Calgary Economic Development and Edmonton Economic Development Corporation. EDT staff working with the Alberta International Offices connected companies to Chinese investors and businesses. Twenty commercial agreements were signed or announced, covering: environment, renewable energy, advanced technologies, medical and bio sciences, education, consumer goods, transportation, and agricultural products.

Global Petroleum Show 2016

The Global Petroleum Show was held in Calgary in June 2016, where international delegates engaged with senior executives from Alberta's energy industry. This event was supported by three Government of Alberta ministries (EDT, Labour, and Culture and Tourism) and three regional business associations: Calgary Economic Development, Eastern Alberta Trade Corridor, and the Joint Economic Development Initiative. Select results include: the GoA signed a collaboration agreement with Siemens; EDT helped facilitate more than 80 independent meetings; and Blaze Energy announced a project in Cameroon.

Trade Mission to Asia June 2016

The Asia Pacific branch, with offices in Korea and Taiwan, led a trade mission with eight companies to Seoul, South Korea and Taipei, Taiwan. It promoted the latest pipeline safety technologies as well as services including: engineering, consulting, corporate training, research and development. Some participants have been in discussions with Korean institutions for development of customized training programs and other technical collaborations.

Private Sector Liaison Officer Agriculture Mission

A total of 27 delegates attended the agriculture mission in Washington D.C., including a 2.5 day program with presentations from international financial institutions on the agriculture sector, with a particular focus on climate-smart agriculture. In March 2017, a follow-up mission was led by Alberta Agriculture and Forestry in cooperation with EDT and specifically the Alberta Washington office. It allowed for select companies to meet with representatives from the World Bank and the Inter-American Development Bank to explore cooperation.

China International Petroleum and Petrochemical Technology and Equipment Exhibition

In March 2017, over 20 companies participated in the 17th Annual China International Petroleum and Petrochemical Technology and Equipment Exhibition under the Alberta Canada pavilion. This platform supports the energy and environmental sectors to gain access to Chinese and Asian markets.

Petrotech 2016

In December 2016, 19 organizations took part in the trade mission to Petrotech, the largest energy industry event in India. In addition to exhibit space, Alberta oil and gas technology and service companies participated in a tailored value-added program, which included one-on-one matchmaking meetings, market briefings and networking events. As a result, one company signed a contract with one of the largest oil and gas exploration companies to run a pilot project.

Unmanned Systems Canada Conference 2016

EDT was instrumental in bringing the 14th Annual Unmanned Systems Canada Conference to Edmonton in November 2016. Attended by over 300, with delegates from Mexico, U.S., U.K., Italy and Belgium, this event generated \$25,000 worth of publicity via SAE International and Arab Defence Journal. At the event Drone Delivery Canada and Foremost Unmanned Air System Range committed to commercial testing for Canada's first drone parcel-delivery services.

Africa Oil Week

This premier oil and gas event held annually in Cape Town, South Africa, was attended by 1,200 delegates, including 28 from Alberta. One company, Polaris Seismic, signed a contract with Helium One in Tanzania.

Egypt Petroleum Show

At the Egypt Petroleum Show, national and international oil companies and service providers addressed evolving opportunities in Egypt and North Africa. At the conclusion, SAIT signed an MOU with Oil and Gas Skills of Egypt to provide training for the Ministry of Petroleum.

Nanotechnology and Microsystems

The University of Alberta is home to the National Institute for Nanotechnology, combining a university research environment with a national research lab and teams of experts. To facilitate access to international markets, EDT led two nanotechnology missions:

- December 2016, to Germany, including participation in NanoKonferenz 2016. Three Alberta companies, two industry associations, and the National Institute for Nanotechnology met with major German and international companies in expectation of sales, distribution agreements and/or joint projects.
- February 2017, to Japan, Singapore and Taiwan, including Asia's largest nanotechnology event, Nano Japan 2017. Twelve Alberta organizations participated; one company cemented a distribution deal; and others are currently exploring other opportunities that were generated as part of their participation at this event.

Health Technologies

EDT led a mission to support health technology SMEs. It included:

- National Health Service dragon's den in London, UK, which enabled two Alberta health technology companies to pitch their products to accelerate access to the National Health Service. Companies were supported by the Alberta UK office.
- MEDICA, the world's largest health technology trade show was held in Germany, November 2016, with over 127,000 international visitors attending. The Alberta booth promoted the province as a global hub for innovation, explored opportunities for R&D collaboration and investment, and identified over 45 qualified global contacts.

Unmanned Vehicles

- To build awareness of Alberta's capabilities in unmanned aerial vehicles, the Americas branch and Alberta Mexico office co-hosted a technical seminar in Mexico City. This has resulted in increased interest and outreach to Alberta by the Mexican government and firms.
- The Association for Unmanned Vehicle Systems International mounted "Xponential" in New Orleans May 2016. A mission to the show supported the export development and market entry efforts of 30 companies through an associate exhibitor program and elevated awareness of Alberta's capabilities.

Other Missions

- The International Builders Show January 2017 in Orlando was a world calibre light construction conference and trade exposition. Partnering with the Canadian Consulate Miami, Global Affairs Canada and the Canada Green Building Council-Alberta, EDT supported the participation of 23 companies. It featured a first-time Alberta Pavilion made possible through funding by the Alberta Export Expansion Package.
- For the Mexican Oil Congress in Monterrey June 2016, the Americas branch, in collaboration with the Government of Canada, organized a trade mission for 14 Canadian companies. In contrast to previous years, most of the firms were first-time SMEs.
- At the first Women in Business North America Summit in Atlanta June 2016, Global Affairs Canada (Business Women in International Trade Program), the Consulate General of Canada in Atlanta, and five Alberta companies participated. Gitane De Silva, Alberta's senior representative to the U.S., participated on a panel "Women on Top – Senior Executives Share Their Experience."
- At the Midstream Mission to Mexico, Mexico City, October 2016, the Americas branch and the Government of Canada supported 34 companies and organizations from Alberta, representing the entire midstream supply chain. The four-day mission was directed to small and medium-size companies with specialized technologies and expertise, and in general to Alberta companies and investors learning more about the midstream industry in Mexico's oil and gas sector.

Memorandums of Understanding (MOUs)

Signing memorandums of understanding (MOUs) or other agreements with other jurisdictions, associations or companies can be used as a means of formalizing the EDT's international relationships. They provide evidence that EDT is committed to working with another entity and can act as a framework to guide future cooperation. Some examples of MOUs signed this year include:

- MOU with the Guangdong Department of Commerce in May 2016. In Chinese business culture, a formal agreement has tangible implications for Guangdong's ability to commit resources and give senior level attention to its relationship with Alberta.
- MOU with Siemens. It is focused on spurring new business opportunities, expanding Siemens' footprint in the province, diversifying Alberta's economy and helping the province transition to a low-carbon economy.
- MOU with BYD Auto. It supports cooperation on research, development and commercialization of smart vehicle technologies, such as connected cars, trucks, buses and industrial vehicles. This MOU is a step towards further R&D and high-technology manufacturing opportunities in Alberta and is valued at more than \$6 million over two years – part of a broader smart infrastructure and transportation initiative.

Sister-Province Relationships

EDT supported its existing sister-province relationships, which have been established over the past 40 years with key trade and investment partners. This year, the sister-province relationship Alberta has with Heilongjiang, China was particularly active in celebrating its 35th anniversary. EDT staff organized official celebrations with the visit of Mr. Wang Haijun, Director General of Heilongjiang Foreign Affairs Office to Edmonton in August 2016. The minister of Agriculture and Forestry participated in official celebrations in Harbin during his mission to China and South Korea from November 1-15, 2016, with support from the Alberta Beijing office. During both official celebrations in Alberta and China, the significance of the relationship as well as the wide-ranging cooperation over the 35 years were emphasized.

Outcome Three:

Alberta's publicly-funded research and innovation system contributes to Alberta's sustainable prosperity

Key strategies to support this outcome included:

- 3.1 Deliver a strategic framework, policies and actions that clarify and strengthen government direction and priority initiatives for science, technology and innovation.
- 3.2 Deliver a government-wide Climate Change Innovation and Technology Framework which redefines government's innovative and coordinated approach to innovation and technology development funding under Alberta's Climate Leadership Plan.
- 3.3 Increase Alberta's partnerships and leverage other science and innovation funding through strengthened relationships with other federal and municipal government innovation agencies.
- 3.4 Support the growth of globally-competitive enterprises in Alberta through enhanced innovation and technology commercialization programs and partnerships.
- 3.5 Establish new and build on existing technology partnerships with international jurisdictions to encourage collaboration between Alberta's SMEs and international industry partners, and promote Alberta internationally as a world-class destination for research, innovation and commercialization.

What this means:

Research and innovation guide Alberta's response to economic, social and environmental dynamics. They support the transition to an economy that is more diversified, resilient and less dependent on non-renewable resources.

Government sets clear priorities for research and innovation and provides it with system funding.

Our responsibilities:

The ministry is simplifying the governance structures of Alberta Innovates and increasing accountability for their targets.

The ministry serves as a catalyst for collaboration between research and innovation organizations, post-secondary institutions, and the private sector.

The ministry champions these connections, demonstrating in intent, actions and outcomes the critical relationship between research, innovation and economic development.

Results and Contributions from 2016-17:

Key Strategy 3.1: Deliver a strategic framework, policies and actions that clarify and strengthen government direction and priority initiatives for science, technology and innovation.

- EDT led the collaboration with stakeholders and other ministries to establish the province's research and innovation outcomes and targets.
- On November 1, 2016, Alberta Innovates completed its consolidation from four corporations into one, and received government approval for the appointment of 12 members to the board. The board recruited Chief Executive Officer Laura J. Kilcrease to lead the transition to a single entity.
- As part of the development of a science policy for Alberta, EDT held meetings with over 100 stakeholders, and produced a science enterprise outcomes map and report. EDT and Advanced Education engaged the Council of Canadian Academies to assess science policy in subnational jurisdictions and prepare a public report for release in April 2017. This report will inform the production and flow of knowledge, human and social capital in Alberta's science enterprise; provide guidance in the allocation of resources; and establish a framework for system performance and evaluation.
- EDT provided \$13 million to support the Alberta Health Research Innovation Strategy, and an additional \$5 million for projects, including:
 - the Servier Alberta Innovation Fund to support translational research;
 - two provincial innovation "sandboxes" at the Ward of the 21st Century and the Glenrose Rehabilitation Research and Technology Hub to help prepare local companies that are working to get their technologies into Alberta's health system;
 - development of food and nutraceuticals for improving bone and dental health;
 - capacity expansion at the Western Canadian Microbiome Centre to treat inflammatory bowel disease; and
 - a multi-stakeholder collaboration with Biogen Canada, Multiple Sclerosis Society of Canada and Brain Canada to advance translational research in MS.

Key Strategy 3.2: Deliver a government-wide Climate Change Innovation and Technology Framework which redefines government's innovative and coordinated approach to innovation and technology development funding under Alberta's Climate Leadership Plan.

- Innovation and technology are key supports to the Climate Leadership Plan. On September 19, 2016, the Government of Alberta established a task force to lead stakeholder engagement and to inform the development of a Climate Change Innovation and Technology Framework. Supported by an EDT secretariat, the task force met over 120 technology, environmental and resource-based organizations from industry, academia, small business and not-for-profits. Sessions were held in Edmonton, Calgary, Lethbridge, and Grande Prairie. The task force also received 57 online submissions. On December 2, 2016, the task force delivered a written report to government. The report has informed the development of the framework, which is being prepared for review and approval by government.
- EDT is also leading cross-ministry development of a Clean Technology Roadmap, which will support the Framework implementation. EDT held four clean technology workshops in Edmonton and Calgary from June 14 to 16, 2016, with over 100 participants from industry, large and small technology-based companies, finance and venture capital organizations, innovation agencies and research institutions. The workshops focused on three topics: investing in investable companies; company creation and growth; and technology. The roadmap will be completed once the framework has been reviewed and approved by government.

Key Strategy 3.3: Increase Alberta's partnerships and leverage other science and innovation funding through strengthened relationships with other federal, provincial and municipal government innovation agencies.

- EDT coordinated with federal counterparts to develop the pilot phase of the Alberta-France Innovation and Commercialization Program. EDT established the program, in partnership with the French funding agency Bpifrance in 2015-16, and provided \$1.5 million for collaborative research, development and commercialization projects between Alberta SMEs and French industry. It resulted in a technology mission of 13 Alberta SMEs to France, followed by a joint call for proposals. Through the partnership, Alberta companies are leveraging technical and financial resources from France, enabling them to bring innovative products to market faster.
- EDT partnered with NAIT to initiate a project enabling use of dimethyl-ether (DME) as an alternative fuel for heavy duty transportation. Wider use of DME will diversify markets for Alberta's energy and create opportunities for both fossil and renewable resources. EDT's funding of \$368,000 supports the first phase of the project and will enable additional contributions from Alberta and global industry players for this project of more than \$4 million.
- EDT led Alberta's contribution to the final report Working Group on Clean Technology, Innovation and Jobs. Released September 2016, this work will help develop programs, partnerships and investments undertaken by federal, provincial and territorial governments.
- On March 3, 2017, Minister Bilous and the federal minister of Natural Resources announced each government's \$10 million commitment towards the Alberta Carbon Conversion Technology Centre to be constructed at the Shepard Energy Centre in Calgary. The centre, which will be owned and operated by InnoTech Alberta Inc., will fill a critical gap in the development, scale-up and commercialization of technologies that will capture CO₂ and convert it into higher value products, such as fuels, chemicals and building materials. The centre will test and assess near-commercial technologies under "real-world" operating conditions during the NRG-COSIA Carbon XPRIZE competition. The centre will also be available for Alberta technology developers as well as companies from around the globe that are looking to enter this growing clean-technology sector.

Performance Measure

Alberta's comprehensive academic and research institutions attracted sponsored research revenue of \$851 million.

Alberta's comprehensive academic and research institutions garnered \$851 million in sponsored research revenue, exceeding the 2016-17 target of \$811 million. This increase includes significant research investments from the Government of Alberta, industry and non-profit organizations.

Source: Report on Competitiveness: Alberta 2015 (August 2016) and Association of University Technology Managers, Licensing Surveys Database

- Through its Research Capacity Program and Strategic Research Initiatives, EDT committed to grant \$8.7 million for 28 projects, which leverage an additional \$37.1 million from the Canada Foundation for Innovation and other sources. The grants establish research networks, new laboratories, and state-of-the-art equipment to attract young and top talent in key sectors.
- EDT also undertook a series of missions to Ottawa to raise the profile of Alberta's collaborative approach to research and innovation. The Alberta delegations, which included leadership from Alberta Advanced Education, Alberta Innovates, and the Universities of Alberta, Calgary, and Lethbridge, met with the federal ministers of: Agriculture and Agri-Food Canada; Environment and Climate Change; Health; and Natural Resources Canada; and with the president of the National Research Council Canada.

Key outcomes of the missions included aligning federal and Alberta research and innovation agendas; agreement on common research and innovation priorities and partnership opportunities; exploration of opportunities for joint funding of research and innovation; and communicating Alberta's research and innovation direction, strengths and opportunities, with a focus on clusters for clean technology/clean resource development, smart agriculture, and health innovation.

In addition, Natural Resources Canada Minister Carr and Minister Bilous signed the Alberta – Canada Collaboratory on Clean Energy Research and Technology Memorandum of Understanding. This MOU includes a commitment to work together on clean technologies, and to work with both the public and private sectors to find ways to develop cleaner energy through research and innovation. The MOU identifies several key policy and program initiatives where Alberta and Canada will build closer alignment.

Key Strategy 3.4: Support the growth of globally-competitive enterprises in Alberta through enhanced innovation and technology commercialization programs and partnerships.

- EDT provided \$2 million to the Alberta Machine Intelligence Institute, a leading centre for digital innovation at the University of Alberta, to build capacity in advanced analytics and machine learning. Through its industrial affiliates program, the institute is building Alberta's capacity in this emerging area and attracting global companies to the province.
- EDT provided \$2.25 million to Cybera, an agency that develops digital infrastructure expertise to advance research, education and innovation. Through CyberaNet, its unmetered broadband network for research and education, and through its Rapid Access Cloud computing, Cybera has enabled over 900 innovators, start-up companies, students and researchers to conduct pre-commercial development over the past four years.
- EDT, working with innovation system partners, engaged with industry stakeholders through formal and informal sessions to help advance the province's green building sector. The events were intended to understand industry challenges and areas where Alberta companies have a competitive advantage in green infrastructure.
- EDT facilitated collaboration between NAIT and SAIT to create a technology platform that will advance high-performance, energy efficient technologies being developed by Alberta SMEs in the area of industrial water treatment. EDT's contribution of \$750,000 to the overall project worth \$9.75 million will improve environmental performance of Alberta's energy sector and create export opportunities for Alberta's technology SMEs.
- EDT partnered with the Alberta Clean Technology Industry Alliance to support cleantech development. This partnership has enabled Alberta to have representation, through the alliance (as a co-founder of the Canada Cleantech Coalition of cleantech associations), alongside MaRS (Ontario), BC CleanTech CEO Alliance and ecotech Quebec. The Alberta Clean Technology Industry Alliance is undertaking initiatives to accelerate development of the cleantech sector and to promote targeted support for Alberta-based SMEs. Examples include publication of the report The State of Alberta's Cleantech Sector and signing a letter of intent for cleantech collaboration between Alberta and International Water Valley in Guangdong, China, in November 2016.

- EDT worked with Alberta Innovates to continue improvements under its technology commercialization system management plan. Specific improvements include performance measurement and reporting, resulting in the 2015 Technology Commercialization Scorecard. The suite of programs was expanded with: the Alberta Small Business Innovation and Research Initiative pilot and the Alberta Entrepreneurship Incubator program. The support services to innovators and innovative companies across Alberta were strengthened by launching a new regional innovation network in Lloydminster, and by increasing the number of technology development advisors from four to 10.
- The Alberta Small Business Innovation and Research Initiative, co-designed by EDT and Alberta Innovates, matches significant challenges facing large public sector or industry organizations with local SMEs to address those challenges. Investments are made into Alberta SMEs who apply for and are selected to work on a solution for the identified challenge area. For Alberta SMEs, the program provides funding support, mentorship, and potential first-client opportunities to develop technology solutions with real market potential. For end-users, the program mitigates the risk of technology adoption by providing the opportunity to try and, ideally, procure the solution. The pilot was launched in 2016 with three out of four challenges on track as SME projects. Alberta Innovates has committed \$5 million to the pilot for projects in health and environment from existing budgets, including a \$1 million grant that was provided in 2014-15 by EDT.

Performance Indicator

Total research and development investment as a per cent of GDP was 1.1 per cent. (2013 preliminary data)

The 2014 publication release of gross domestic expenditure on research and development (GERD) in Canada represents national actual expenditure for 2012 (1.1 per cent) and preliminary data for 2013. Alberta was the province with the third largest expenditure on R&D in 2012, after Ontario and Quebec, with \$3.5 billion. This accounted for 11 per cent of the GERD in 2012.

Note: Statistics Canada's table 88-221-X Gross Domestic Expenditures on Research and Development in Canada (GERD), the Provinces and Territories was discontinued with the last year of available statistics being 2013. As a result of discontinuing the above data, a new performance indicator will focus on per capita research investment by the federal government in post-secondary institutions in Alberta and across Canada.

Key Strategy 3.5: Establish new and build on existing technology partnerships with international jurisdictions to encourage collaboration between Alberta's SMEs and international industry partners, and promote Alberta internationally as a world-class destination for research, innovation and commercialization.

- The Alberta-Germany technology partnership supports joint research and commercialization activities between companies in Alberta and Germany in strategic areas of technology. EDT's contribution of \$2 million in 2016-17 was leveraged by funding partners and industry to an overall value of \$8 million. Since 2013, the Alberta-Germany technology partnership supported 20 projects with four new projects added to the portfolio in 2016-17. The Alberta SMEs involved in nine successfully completed projects reported new hires, creation of new intellectual property, and an average increase in annual revenue of \$870,000, with projected revenue increases of up to \$148 million over the next five years.
- The Alberta-Jalisco (Mexico) partnership was initiated under an MOU between the Government of Alberta and the Government of Jalisco. Since 2011, the initiative has funded 20 collaborative technology development projects including four new projects approved in 2016-17. These projects have resulted in technology demonstrations, developed prototypes with commercial potential, and increased revenues for participating Alberta companies.
- The international technology partnership with the Department of Science and Technology of Zhejiang Province of China supported four joint research and commercialization projects. These aim to accelerate the development of new technologies by Alberta companies; support company creation and growth; employ and develop high quality professional staff; attract investment; and open new markets in China. This initiative is a direct result of the renewed collaboration agreement signed between EDT and the Zhejiang Department of Science and Technology in January 2014. EDT has committed \$2 million in funding.
- Alberta-Fraunhofer Institutes, Germany: As part of a broader initiative led by the University of Alberta to establish closer collaboration between Fraunhofer Institutes in Germany, EDT provided \$750,000 to support small-scale, distributed waste management and conversion of Alberta biomass resources into value-added products. The Institute for Environmental, Safety, and Energy Technology, which contributed \$800,000 to this project, is part of a Germany-wide system of Fraunhofer Institutes – one of the world's largest and most successful industrial innovation organizations.
- EDT entered into a new agreement with the Department of Science and Technology of Guangdong Province, China, in November 2016 to facilitate new industrial research and development between Alberta and Guangdong in priority areas.

- EDT worked with other partners to develop and fund technology de-risking initiatives (or “sandboxes”) such as the Ward of 21st Century at the University of Calgary and Glenrose Rehabilitation Research, Innovation and Technology Hub in Edmonton. The “sandboxes” will also help attract multinational enterprises to Alberta to test and validate technologies, gathering real world evidence to inform how we address the health needs of Albertans in areas such as aging and rehabilitation.
- EDT provided \$1 million to the Western Canada Microbiome Centre to understand the role of the microbiome in health by increasing Alberta’s research and facilitating translational research partnerships between industry and academia. The investment will support economic diversification by building on the functional foods and nutraceutical sectors that may modify the microbiome and improve health.
- EDT undertook a mission to the international convention of the Biotechnology Innovation Organization in San Francisco from June 4-9, 2016. Minister Bilous signed an MOU and established an innovation partnership with AbbVie Corporation worth \$1.2 million to develop health solutions, such as Fit For Work initiative, a work place intervention for Albertans living with arthritis.
- During the mission to San Francisco, Minister Bilous announced the expansion of the J&J Alberta Health Innovation Partnership, a \$2.1 million collaboration between University Hospital Foundation, EDT, and Janssen Canada, which is the Canadian arm of the Johnson & Johnson Inc. family of companies. The partnership’s innovation and funding models support industry-driven applied research in Alberta’s life sciences sector that will lead to economic and social benefits.
- The Alberta Transplant Innovation Fund was established as a \$1.2 million fund in partnership with Astellas Pharma, University Hospital Foundation, and EDT. It implements a strategically focused program on transplant research and innovation to accelerate commercial development of Alberta-based transplant technologies.

Performance Indicator

The rate of start-up firms licensing university technology was 8.4 per million population. (2015 actual)

In 2015, Alberta continued its upward trend in the number of start-up firms licensing university technology (last five years) per million population. Alberta’s growth rate, 23 per cent, outpaced the Canadian growth rate of 12 per cent with Alberta accounting for 14 per cent of the country’s technology transfer activities. All university technology licensing activities in Alberta were with firms located in the province.



Statement of Remissions, Compromises and Write-offs

**Statement of Remissions, Compromises and Write-offs
(Unaudited)**

For the year ended March 31, 2017

STATEMENT OF REMISSIONS, COMPROMISES AND WRITE-OFFS

Compromise

P-Card transaction \$6,435.29

Total \$6,435.29



Alberta International Offices Report

■ Overview

As part of the trade and investment attraction division within EDT, the international offices work with a particular focus on Outcome Two: “Trade and investment opportunities are grown by leveraging Alberta’s strengths and capabilities.”

The network of international offices provide global linkages to promote business in Alberta, form strategic partnerships, and attract leading talent and innovators to Alberta. Some of its services include market intelligence, key contact searches, missions support, cross-ministry support, and advocacy assistance. Clients of the international offices are organizations with ties to Alberta. They have a commitment to internationalization, and the potential to contribute to the economic growth of Alberta, as well as enhance the province’s relationships internationally.

The international offices have supported Alberta’s economic growth with completion of:

- 39 trade deals
- 12 investment deals
- 20 signed memorandums of understanding and policy agreements

Of these 71 trade, investment and advocacy wins, 36 had a reported value that represents an aggregate economic benefit to Albertans of \$167 million. There were 35 trade, investment and advocacy wins that were not included in the aggregate economic benefit total as the dollar values for the wins were not available. The aggregate economic benefit value is a new performance metric that is tracked by each international office; however, it does not have a target. Tracking and reporting this number provides valuable information without a target. It is reported on as an aggregate number to protect business confidentiality and is a conservative estimate of the economic impacts created.

In 2016-17, the Alberta international office (AIO) network consisted of 12 offices, operating in three continents. The international office network includes the Alberta Beijing Office¹, Alberta Guangzhou Office, Alberta Hong Kong Office, Alberta Japan Office, Alberta Korea Office, Alberta Mexico Office, Alberta New Delhi Office, Alberta Shanghai Office, Alberta Singapore Office, Alberta Taiwan Office, Alberta United Kingdom Office, and the Alberta Washington Office. Currently, there are 10 Canadian-based staff posted abroad and 42 locally-hired employees who support Alberta's interests around the world.

The work of Alberta's international offices complements the services provided by Canadian diplomatic missions, notably Canada's long-standing trade commissioner service. Alberta's international office personnel provide more in-depth support to priority relationships and initiatives than federal staff are often able to offer given their need to serve all of Canada. Alberta's international offices network should continue to reflect Government of Alberta priorities and an ongoing transformation in the international environment.

Highlights of EDT results achieved by and with the support of the international offices are included in the Results Analysis section in the main body of this report. This appendix provides additional performance information for each of the offices, including budget performance measures and highlights of services provided and results achieved in 2016-17.

The Alberta Beijing Office was formerly referred to as the Alberta China Office (ACO). Alberta now supports a number of offices in China, so for clarity, the office was renamed.

■ Discussion and Analysis of Results

For the 2016-17 fiscal year, management implemented a new, comprehensive reporting system called the Phoenix Client Relationship Management (CRM) system for the international offices and the trade and investment attraction division. The CRM supports collaboration by sharing client interactions, events, and trade and investment information with all staff members. Because of these significant process changes, substantial training and CRM user-support services were required to ensure that the database results were accurate and complete. Also, to ensure the CRM has optimal and long-term success, adaptations of the database were accommodated over the year.

In each market, targets are set and reviewed annually. Past performance, office staffing and resources are taken into consideration, as are local trends of culture, market, and geography as they affect the bilateral trade and investment decisions that firms make. The targets set a direction for the offices, and it is up to the managing director to focus the staff on achieving the targets. Note that changes in resources such as number of staff² can affect each international office's ability to achieve annual performance targets.

In the past, the international offices had 13 performance measures; for this fiscal year the offices were given targets for six performance measures. The performance targets aim to measure the value derived from the costs incurred by each international office, track the annual achievements of the international offices, and set direction for the international offices.

The 2016 client survey connected with 229 clients of the international office network and received feedback from clients of all 12 offices. The results of the survey show that 93 per cent of respondents were satisfied with the services they received from the international offices. This survey also revealed that the majority of respondents (75 per cent) agree that, as a result of the information received from the international offices, they were able to make informed business decisions. Seventy-nine per cent of respondents to the survey agree with the statement that "the ministry helped me connect with contacts that otherwise would have been difficult to identify or access."

Variance Analysis

With the implementation of the CRM and changes to the performance measures and performance targets, this year's performance has established a baseline for CRM-derived performance data. Because this year's data sets the baseline for future years, a staged variance threshold approach has been set. These stages include:

- 1) an over achieved level of 141 per cent or greater,
- 2) an achieved level of 80 to 140 per cent,
- 3) an acceptable level of 60 to 79 per cent,
- 4) an unachieved level of 59 per cent or less.

A variance analysis will be provided for each international office.

² The AIOs have between two and ten employees, so staff vacancies have a significant impact on the operations of an office.

■ Alberta International Offices – Results Analysis

1. Alberta Beijing Office (formerly Alberta China Office)

The Alberta Beijing Office is located within the Embassy of Canada in Beijing, China and was established in 2000. China is Alberta's second largest export destination and is expected to continue to grow. China remains one of the world's fastest growing economies at 6.9 per cent and one of its largest economies at US\$11 trillion in 2015.³

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
1,194	990

Staff

GoA Employee	Locally-hired
1	9

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	1920	473
2. Number of clients served	1248	351
3. Number of events (led, supported, or attended)	192	41
4. Number of leads generated	86	10
5. Number of wins facilitated ⁴	19	2

Highlights and Analysis:

The 2016 Client Survey results show that 89 per cent of clients were satisfied with the services received from the international office staff.

The following factors likely impacted the results of the performance measures for the Alberta Beijing Office:

- The managing director's position was vacant for four months, in addition to some commercial officer vacancies during the year.
- Transitioning to reporting using the new CRM. There has been a gradual increase in the use of the CRM in the office this fiscal year. Management continues to provide ongoing CRM training and meet with office staff on a regular basis to discuss progress.

Highlighted outcome:

Sinoenergy has signed an agreement⁵ with Alberta-based Long Run Exploration Ltd. to invest an additional \$500 million over the next two years for drilling and operation of new wells, which means Sinoenergy's total investment in Alberta will reach approximately \$ 1.5 billion. Prime Minister Trudeau and Chinese Premier witnessed the signing of this agreement on September 22, 2016 during the Chinese Premier's visit to Canada. It's estimated that Sinoenergy's investment in Alberta will create more than 300 full-time positions.

Alberta's Senior Representative for the Asia Pacific Basin, Mr. Ron Hoffmann, has been continuously supporting Sinoenergy's investment intention and business development in Alberta. These efforts include inviting Sinoenergy to attend the 2016 Stampede Investment Forum, arranging meetings with Alberta leaders and stakeholders, and assisting Sinoenergy's outgoing missions to Alberta.

³ "GDP Growth Rate" The World Bank <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

⁴ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

⁵ Media new release: <http://www.naturalgasworld.com/sinoenergy-to-invest-additional-380-in-canadas-long-run-exploration-31802>

2. Alberta Guangzhou Office

The Alberta Guangzhou Office is co-located within the Consulate General of Canada and opened in March 2016. The office works in collaboration with the Alberta Hong Kong Office and in close coordination with the Alberta Beijing Office to support Alberta's trade and investment interests in southeast China.

Budgetary Financial Resources (thousands)

2016-17 Budget	2016-17 Actual
404	420

Staff

GoA Employee	Locally-hired
0	3

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	480	240
2. Number of clients served	312	192
3. Number of events (led, supported, or attended)	48	60
4. Number of leads generated	22	21
5. Number of wins facilitated ⁶	5	6

Highlights and Analysis:

The 2016 Client Survey results show that 91 per cent of clients were satisfied with the services received from the office staff.

The following factors likely impacted the results of the performance measures for the Alberta Guangzhou Office:

- The Alberta Guangzhou Office is a new international office that opened in March 2016. The office was very effective at leading and supporting events and developing a network in Guangzhou that resulted in six trade and investment wins.
- In November 2016, the Alberta Guangzhou Office provided substantial resources and supports for the Minister's Mission to Japan and China which was attended by over 80 Alberta companies, Minister Bilous, and Deputy Minister Krips.

Highlighted outcome:

A Calgary-based company signed an agreement with a Chinese company for the sale of products in China and Australia. Office staff visited the Chinese company to understand their business scope and development plan. The company plans to sell products through both an online store and physical chain store. The Chinese company also plans to buy shares from the Alberta company to enhance their investment in Alberta.

⁶ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

3. Alberta Hong Kong Office

The Alberta Hong Kong Office is a stand-alone office located in Hong Kong and was established in 1980. Hong Kong has an annual GDP growth rate of 2.4 per cent and a GDP of over US\$300 billion annually.⁷ The office is geographically central to Alberta's priority markets in Asia and has efficient and reliable logistical infrastructure and international business routes, which position Hong Kong as a priority market in its own right.

Office Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
492	376

Alberta Senior Representative to Asia Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
557	574

Staff

GoA Employee	Locally-hired
1	4

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	720	539
2. Number of clients served	468	523
3. Number of events (led, supported, or attended)	72	74
4. Number of leads generated	32	21
5. Number of wins facilitated ⁸	7	7

Highlights and Analysis:

The 2016 Client Survey results show that 91 per cent of clients were satisfied with the services received from the office staff.

The Alberta Hong Kong Office either met or surpassed all performance measure targets for this fiscal year.

The Alberta Senior Representative to Asia is based out of Hong Kong, however it supports the region more broadly. The AHKO contributed to wider Asia region outcomes and to the productivity of other Asia based offices. The Alberta Senior Representative travelled regularly to Beijing and Shanghai while the Managing Director position in Beijing was vacant to support the teams there and to maintain and expand senior level engagement in those markets.

Highlighted outcome:

The Alberta Hong Kong Office has been actively supporting Alberta's post-secondary institutions in the Hong Kong region. Over the past year the office led several large and small events including the University of Calgary Haskayne School of Business Executive MBA International Study Tour, the University of Alberta Alumni Association of Hong Kong Committee Meeting, and the Student Recruitment - Information Session for Edmonton Catholic School Board. Alberta continues to be a desirable destination for international post-secondary students, including those from China. There is both short and long-term benefit in having international students study in Alberta. In the short run, Alberta benefits from tuition gains and diversity in the classroom. In the long run, Alberta attracts a younger, well educated, and talented labour force.

⁷ "GDP Growth Rate" The World Bank <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

⁸ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

4. Alberta Japan Office

The Alberta Japan Office, a stand-alone office located in Place Canada in Tokyo, was established in 1970. Alberta and Hokkaido, Japan developed a sister-province relationship in 1980 which focuses on economic development and cross-cultural awareness between the two regions. Relative to similarly sized countries, Alberta has strong trade relationships with Japan, including 2.1 per cent of total provincial exports destined for Japan in 2016. The office continues to support Alberta's trade and investment interests and to further leverage its diverse networks to support Alberta firms in Japan.

ATO Budgetary Financial Resources (thousands)

2016-17 Budget	2016-17 Actual
1,139	1,071

Staff

GoA Employee	Locally-hired
1	7

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	1320	624
2. Number of clients served	858	433
3. Number of events (led, supported, or attended)	132	148
4. Number of leads generated	59	46
5. Number of wins facilitated ⁹	13	19

Highlights and Analysis:

The 2016 Client Survey results show that 97 per cent of office clients were satisfied with the services received from the office staff.

The office met its output and outcome targets, for the number of events, number of leads generated and number of wins facilitated. It fell short on meeting its input targets, for number of services provided and number of clients served. The following factors likely impacted the results:

- The leadership in the office encouraged staff to gradually adopt the CRM, and to focus on the outcome measures, including the number of wins facilitated. The office overachieved its target of number of wins generated at 146 per cent for this fiscal year.
- The Japanese market has a growing demand for Alberta agricultural and oil and gas products. The Alberta Japan Office had a successful year leveraging their established networks within these two sectors, creating jobs and growth for Alberta.

Highlighted outcome:

This past fiscal year, a major Alberta diversified energy infrastructure business has signed an MOU with a Japanese midstream/downstream corporation to take at least 50 per cent of the 1.2 million tons of liquefied petroleum gas annually to come from a Canadian west coast terminal with supply coming from Alberta and British Columbia. The Alberta Japan Office was largely responsible for facilitating the introduction of these businesses in 2013. Since that time, a joint venture has been formed leading to significant amounts of Alberta liquefied petroleum gas continuously being shipped to Japan with the aforementioned MOU representing another major step forward in western Canadian and Japan energy connections. The Alberta Japan Office continues to serve these projects as well as the overall bilateral relationship through communication and information exchange facilitation.

⁹ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

5. Alberta Korea Office

The Alberta Korea Office, established in 1988, is co-located within the Embassy of Canada in Seoul. Alberta has had a lengthy relationship with South Korea dating back to 1974, with Gangwon as a sister- province. This sister-province relationship is a multi-faceted arrangement to promote economic development and cross-cultural awareness between the two regions.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
717	648

Staff

GoA Employee	Locally-hired
1	3

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	720	155
2. Number of clients served	468	135
3. Number of events (led, supported, or attended)	72	55
4. Number of leads generated	32	8
5. Number of wins facilitated ¹⁰	7	5

Highlights and Analysis:

The 2016 Client Survey results show that 86 per cent of clients were satisfied with the services received from the office staff.

The Alberta Korea Office has met its target for the number of events led, supported, or attended and the number of economic wins facilitated. It did not meet its target for number of services provided, number of clients served and number of leads generated. The following factor likely impacted its results:

- The office did not have a full complement of staff for several months this year, which hindered the office's ability to fully utilize the CRM. Going forward, the office plans to ensure all staffing positions are filled.

Highlighted outcome:

The Alberta Korea Office led the prestigious mission of the International Cold Regions Oil and Gas Seminar to Korea in December 2016. This mission followed a Korean visit to Alberta earlier in 2016 by a project team from the Ministry of Land, Infrastructure and Transport. The Korean ministry originally visited Alberta to do research on pipeline-related business after the second pipeline safety seminar in Korea in September 2015. After their visit to Alberta, they contacted the Alberta Korea Office to do more collaborative work with the Alberta Asia Pacific team and the Alberta Korea Office. This follow-up mission included many events including a tour of the Korea Institute of Civil Engineering and Building Technology and the Hwaseong Fire Investigation, Research, Testing and Education facility, and many business-to-business meetings. This large-scale mission highlights the opportunities for Alberta expertise in the oil and gas industry.

¹⁰ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

6. Alberta Mexico Office

The Alberta Mexico Office has a presence in two locations: the managing director and two staff are co-located within the Embassy of Canada in Mexico City, and a senior commercial officer is co-located in the Canadian Consulate in Guadalajara, Jalisco. The Alberta Mexico Office was established in 2002, three years after the Government of Alberta and Jalisco, Mexico initiated a sister-province relationship. Alberta has developed increasingly strong trade and investment ties with Mexico especially in the energy sector, taking advantage of Mexico's opening to private sector investment in the oil and gas value chain. In addition, the office has been building new networks in other sectors of the economy from information and communication technology to aerospace, to support a wide range of Alberta companies in their efforts to enter the Mexican market.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
709	723

Staff

GoA Employee	Locally-hired
1	3

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	720	674
2. Number of clients served	468	509
3. Number of events (led, supported, or attended)	72	142
4. Number of leads generated	32	29
5. Number of wins facilitated ¹¹	7	6

Highlights and Analysis:

The 2016 Client Survey results show that 95 per cent of clients were satisfied with the services received from the office staff.

The Alberta Mexico Office either met or surpassed all performance measure targets for this fiscal year. The following factor likely impacted the results:

- The office participated in a large number of events in their region, resulting in an over-achievement of their target at 197 per cent.

Highlighted outcome:

The University of Alberta and the University of Calgary were awarded funds by the Mexican government for research and capacity-building projects with Mexican partners under the Mexican Ministry of Energy's and the Mexican National Science and Technology Council's jointly managed hydrocarbons fund. While the process followed to apply for funds was similar, the two universities operated on distinct tracks, each leveraging their respective strengths and priorities. Both universities were successful in obtaining significant injections of funds from Mexico (the equivalent of \$14 million for University of Alberta and \$43 million for University of Calgary), much of which will be spent at the Alberta institutions and the rest at the Mexican partner institutions. As Mexico is liberalizing its oil and gas sector and attracting new investment to reverse the decline in production, the country is looking to Alberta as a partner in the full spectrum of activities from trade and investment, to policy and regulatory cooperation, as well as training and research. Mexican Energy Minister Pedro Joaquin Coldwell personally initiated the work with University of Alberta and University of Calgary during his visit in Alberta in December 2015. The Alberta Mexico Office provided support to the two universities throughout the 15-month long process by supporting in-market visits of university researchers and administrators including support for speeches at public events; facilitating the dialogue with relevant in-market stakeholders, and demonstrating to the Mexican government the endorsement by the Government of Alberta for these two initiatives.

¹¹ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

7. Alberta New Delhi Office

The Alberta New Delhi Office, established in 2014, is co-located in the High Commission of Canada in New Delhi. India's economy remains one of the fastest growing economies at 7.6 per cent and has a GDP of over US\$2 trillion.¹² Although Alberta has had limited access to India in the past with only 0.2 per cent of Alberta's share of exports destined to India, the country continues to have a significant demand for Alberta's agricultural and agri-food products. The Alberta New Delhi Office supports Alberta exporters to increase market access in India.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
600	647

Staff

GoA Employee	Locally-hired
1	2

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	480	542
2. Number of clients served	312	316
3. Number of events (led, supported, or attended)	48	52
4. Number of leads generated	22	23
5. Number of wins facilitated ¹³	5	6

Highlights and Analysis:

The 2016 Client Survey results show that 91 per cent of clients were satisfied with the services received from the office staff.

The Alberta New Delhi Office met or surpassed all of their targets for this fiscal year. The following factors likely impacted the results:

- Relatively untapped, India represents large markets for agricultural products and post-secondary institutions. The Alberta New Delhi Office has been growing and leveraging their networks in India, supporting market and sector diversification objectives.

Highlighted outcome:

Khandelia Business Group is an Indian agricultural business that has shown great interest in investing in Alberta. With the assistance of the office, a representative from Khandelia attended the 2016 Stampede Investment Forum. Following this, Khandelia Business Group closed on a parcel of land within the municipality of Olds, Alberta for the purpose of developing a canola processing plant that will see the canola exported to India. The benefits of this investment include the creation of short and long-term employment, as well as export revenues.

¹² "GDP Growth Rate" The World Bank <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

¹³ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

8. Alberta Shanghai Office

The Alberta Shanghai Office, established in 2010, is co-located in the Consulate General of Canada in Shanghai. Located on China's central coast, Shanghai is China's largest city and remains a global financial hub. The office is located within the centre of a dynamic regional economy which accounts for rapid growth in trade and investment leads.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
485	502

Staff

GoA Employee	Locally-hired
0	3

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	480	542
2. Number of clients served	312	316
3. Number of events (led, supported, or attended)	48	52
4. Number of leads generated	22	23
5. Number of wins facilitated ¹⁴	5	6

Highlights and Analysis:

The 2016 Client Survey results show that 91 per cent of clients were satisfied with the services received from the office staff.

The Alberta Shanghai Office either met or surpassed all performance measure targets for this fiscal year. The following factors likely impacted the results:

- The Alberta Shanghai Office was a key organizer of Minister Bilous' mission to Japan and China in November 2016. As a result, the office led, supported, and attended a significant number of events surpassing their target at 133 per cent.

Highlighted outcome:

Greenland Group owns a Chinese high-end supermarket chain which has been looking for Alberta agricultural products to import for retail. Since 2015, the Alberta Shanghai Office has been working with the Alberta Ministry of Agriculture and Forestry to assist this group to import Alberta beef. Part of this support included assisting representatives from Greenland Group to attend the Edmonton Economic Development Mission to China in May 2016. The office's efforts resulted in Greenland Group making a trade deal with an Alberta beef producer after the mission. Greenland Group now regularly imports beef from Alberta.

¹⁴ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

9. Alberta Singapore Office

The Alberta Singapore Office, established in 2014, is located within the High Commission of Canada in Singapore. The office is located in the economic hub of Southeast Asia and Oceania and is focused on advancing Alberta's market access and priorities in the region. Alberta's relationships in the region have traditionally focused on oil and gas, agriculture, and information technologies. More recently, Alberta has been diversifying its relationships in the region to include advanced education, research and development, and environmental technologies. The region is also an emerging source of investment into Western Canada.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
640	557

Staff

GoA Employee	Locally-hired
1	2

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	480	657
2. Number of clients served	312	500
3. Number of events (led, supported, or attended)	48	77
4. Number of leads generated	22	27
5. Number of wins facilitated ¹⁵	5	5

Highlights and Analysis:

The 2016 Client Survey results show that 89 per cent of clients were satisfied with the services received from the office staff.

The Alberta Singapore Office met or surpassed all targets for this fiscal year. The following factors likely impacted the results:

- The Alberta Singapore Office is geographically and economically well positioned to support the Government of Alberta's focus on market and sector diversification. The office over-achieved their targets at 160 per cent in the number of clients served and the number of events led, supported, and attended and focused their efforts on Alberta's diversification priorities.

Highlighted outcome:

EnviroStatus Corp is an Alberta-based company formed by academics and researchers at the University of Alberta with a focus on creating wireless sensor networks to help monitor climate changes in difficult and unique environments. After discussion with the company regarding potential markets for their products, an opportunity for EnviroStatus products was identified at Singapore's Gardens by the Bay, which is the National Parks Board of Singapore's vision of creating a City in a Garden. Gardens by the Bay was looking for sensors to aid their researchers in understanding various environmental impacts on their venues and plants. Alberta Singapore Office identified key contacts within the Gardens by the Bay organization and was able to facilitate a meeting between EnviroStatus Corp and Gardens by the Bay. As a result of this meeting and follow-up discussions, EnviroStatus Corp has supplied their sensors to the Gardens for a two year period. The sensors help examine the various micro-climates within the different venues and provide researchers with live data via a cloud based system.

¹⁵ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

10. Alberta Taiwan Office

The Alberta Taiwan Office is co-located within the Canadian Trade Office in Taipei and was established in 1988. Taiwan has emerged as a gateway to greater China, a technology and research hub, and one of the most important centres for Asia-based global value chains. The office has been supporting Alberta exporters to enhance their existing market access and establish new markets in the region.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
290	294

Staff

GoA Employee	Locally-hired
0	2

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	240	169
2. Number of clients served	156	146
3. Number of events (led, supported, or attended)	24	34
4. Number of leads generated	11	10
5. Number of wins facilitated ¹⁶	2	1

Highlights and Analysis:

The 2016 Client Survey results show that 95 per cent of clients were satisfied with the services received from the office staff.

The Alberta Taiwan Office met all of its input targets as well as its leads-generated target for this fiscal year, but did not achieve the target for number of wins-facilitated. The following factors likely affected the results of the office:

- The Alberta Taiwan Office has committed significant resources into developing strong relationships with their clients and overachieved their target in the number of events led, supported, and attended by 142 per cent. Management in the office encouraged staff to develop new in-market networks by participating in a broad range of events representing many sectors.
- The office generated new trade, investment, policy and advocacy leads this fiscal year which have not yet concluded in economic wins. Moving forward, the office is committed to supporting their clients and helping them achieve their trade and investment goals, as well as the Government of Alberta's goals of job creation and economic growth by leveraging their diverse networks in Taiwan and providing exceptional regional expertise.

Highlighted outcome:

In March 2016, the office facilitated a meeting between a Taiwanese agricultural supplier and a private label water producer from Alberta that was interested in creating new export ties to Taiwan. After several discussions between the three offices, the Taiwanese supplier committed to selling the Alberta bottled water.

¹⁶ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

11. Alberta United Kingdom Office

The Alberta United Kingdom Office, established in 2003, is housed in the High Commission of Canada in London. Europe is the second largest source of Foreign Direct Investment (FDI) in Canada and the second most important destination for Canadian FDI. The Alberta United Kingdom Office represents Alberta in the United Kingdom and Europe on issues of trade, investment, policy, and advocacy. There has been economic and political tumult in Europe this year, including Brexit and the signing of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). It is the Alberta United Kingdom Office that will assist Alberta companies to access new markets and seek FDI in this changing environment.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
813	692

Staff

GoA Employee	Locally-hired
1	2

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	480	889
2. Number of clients served	312	493
3. Number of events (led, supported, or attended)	48	165
4. Number of leads generated	22	21
5. Number of wins facilitated ¹⁷	5	7

Highlights and Analysis:

The 2016 Client Survey results show that 86 per cent of clients were satisfied with the services received from the office staff.

The Alberta United Kingdom Office either met or surpassed all performance measure targets for this fiscal year. The following factors likely impacted the results:

- This year, the Alberta United Kingdom Office became the European hub for Alberta's trade, investment, policy, and advocacy efforts. The office is strategically located in London to access a diverse network of clients and events. Geopolitical changes in Europe including Brexit and Canada's efforts to pursue free trade agreements in Europe continue to support economic opportunities for Albertans in this region. As a result, the office overachieved many targets including the number of services provided at 185 per cent, the number of clients served at 158 per cent, the number of events led, supported and attended at 344 per cent, and the number of trade, investment, policy and advocacy wins facilitated at 146 per cent.

Highlighted outcome:

In March 2017, Temporis Wind and Green Cat Renewables both established offices in Calgary, with management staff relocating from the UK, hiring Alberta staff and making foreign direct investments.

Temporis Wind operates the UK's largest portfolio of single wind turbines, from the Scottish Highlands to Cornwall, as well as having developed, funded and installed over 25 biomass generation projects. The Alberta United Kingdom Office staff first met Temporis in August 2015 and supported them in a number of visits to Alberta to explore renewable energy. The office made a number of introductions for Temporis to Calgary Economic Development and Alberta Energy and ensured Temporis' participation in stakeholder consultations for Alberta's Renewable Electricity Program. During a meeting at Temporis' head offices in Edinburgh, Scotland, Temporis introduced office staff to Green Cat Renewables, a company that they work closely with in the UK.

Green Cat Renewables is a renewable energy consultancy based in Scotland with 50 staff across the UK. Green Cat's multi-disciplinary team covers all stages of project delivery in hydro, solar and wind energy. Because of its close relationship with Temporis Wind, the Alberta United Kingdom Office was able to convince Green Cat to invest in Alberta and worked with them to make introductions and clarify immigration and incorporation procedures.

¹⁷ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

12. Alberta Washington Office

The Alberta Washington Office, established in 2003, is housed in the Embassy of Canada in Washington, D.C. In 2016, Alberta's exports to the United States represented over 85 per cent of its total exports, with a value of over \$68 billion. The emergence of a more protectionist political climate in the U.S. has implications for all Alberta sectors and the Alberta Washington Office will continue to work with Alberta's public and private sector to advance Alberta's interests.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
809	749

Alberta Senior Representative to the United States of America Budgetary Financial Resources (\$ thousands)

GoA Employee	Locally-hired
720	624

Staff

GoA Employee	Locally-hired
2	2

Performance Results

Reported Measures	2016-17 Target	2016-17 Actual
1. Number of services provided	720	745
2. Number of clients served	468	719
3. Number of events (led, supported, or attended)	72	84
4. Number of leads generated	32	39
5. Number of wins facilitated ¹⁸	7	2

Highlights and Analysis:

The 2016 Client Survey results show that 79 per cent clients were satisfied with the services received from the international office staff.

The Alberta Washington Office met their performance measures target for all targets except the number of wins facilitated. The following factors likely impacted the results of its performance measures:

- The Alberta Washington Office supported several missions to the United States including the Premier's Mission to Washington, D.C. following the inauguration of President Trump in early 2017. The change in the U.S. administration required the office to develop new contacts and to provide services to a broader network. As a result, the office overachieved the number of clients served by 154 per cent.
- Much of the office's work focuses on policy advocacy related to long-term opportunities such as pipeline permitting, softwood lumber negotiations, and other trade issues. The timelines for these advocacy projects often extend beyond one year.
- The office hired a commercial officer responsible for trade and investment in late 2016. Prior to that time, the office was not focused on generating trade and investment leads and wins.

Highlighted outcome:

In March 2017, President Trump issued a Presidential Permit for the Keystone XL Pipeline. A Presidential Permit is required to construct the pipeline which could carry up to 830,000 barrels per day of Alberta crude to U.S. markets. It is projected to create 2,200 construction jobs plus an additional \$3.5 million in property taxes annually in Alberta.

In June 2016, during a speech to the Parliament of Canada, President Obama said "Alberta, the oil country of Canada, is working hard to reduce emissions while still promoting growth. So if Canada can do it, and the United States can do it, the whole world can unleash economic growth and protect our planet. We can do this." This acknowledgement of Alberta's Climate Leadership Plan came following Premier Notley's mission to Washington in April 2016. The Alberta Washington Office organized a meeting between Premier Notley and members of the White House energy and climate team along with the Council on Environmental Quality. The Alberta Washington Office also held meetings and communicated with State Department, U.S. Department of Energy, and the Environmental Protection Agency to ensure the U.S. administration was aware of Alberta's progress on the Climate Leadership Plan.

The President's statement lauding Alberta's approach stood in contrast to his use of the term "dirty oil" during his announcement of the Keystone XL decision in November 2015.

¹⁸ The value of trade, investment, policy and advocacy wins facilitated by each international office was tracked and is reported in the aggregate on page 50 to protect client confidentiality.

Alberta Germany Office

The Alberta Germany Office was closed in July 2015 following a recommendation in the Alberta International Offices Review.¹⁹ Due to personnel requirements, a budget was allocated to the Alberta Germany Office for fiscal year 2016-17 to meet this financial obligation.

Budgetary Financial Resources (\$ thousands)

2016-17 Budget	2016-17 Actual
4	4

¹⁹ Recommendation 10 states: "Close the Munich Office in view of fiscal pressures and in the context of rebalancing resources to faster growing and high potential emerging markets," (page 10). Government of Alberta (2014) Alberta International Offices Review. Prepared by R. Hoffmann.

Methodology

The trade and investment attraction division's implementation of the CRM created significant changes for all staff in the division, including the international offices, as described above. Because of this technological shift, there were also changes to the performance measures, target setting methodology, and targets for the international offices.

The following pages include the performance measures definitions, target setting for fiscal year 2016-17, interpreting the summary dashboard, variance analysis, AIO performance measure variance summary, budget information for fiscal year 2016-17, and Alberta international office locations.

Performance Measure Definitions:

In this document, the performance measure targets are based on the definitions below.

1. Number of services provided – means the number of services provided by a GoA official to a contact. These include advocacy, cross-ministry support, incoming visits to Alberta, information and advice, key contact introductions, marketing, negotiations, and outgoing missions from Alberta.
 - a. Advocacy – an activity which aims to influence decisions with political, economic and social systems and institutions.
 - b. Cross-ministry support – a service provided by a GoA official to another GoA official from a different division or department.
 - c. Incoming visits to Alberta – travel to Alberta by elected or non-elected officials.
 - d. Information and advice – general information provided by a GoA official at the request of a contact.
 - e. Key contact introductions – GoA official facilitates the introduction of one contact (or client) with another.
 - f. Market intelligence – information provided for trade and investment opportunities including: advice on international business and cultural practices, information and analysis of policies, laws and regulations, and advice on market prospects.
 - g. Marketing – promotion of an event, industry, and trade and investment opportunity.
 - h. Negotiations – services performed by a GoA official and involve leading Alberta's participation.
 - i. Outgoing missions from Alberta – travel from Alberta by elected or non-elected officials.
2. Number of clients served – means the number of contacts that have had an activity/service provided to them.
 - a. Contact – a contact is a person with which a GoA official has a relationship, such as a supplier, lead, or colleague
 - b. Activity – an activity is when a GoA official has provided a service to a contact. Activities include tasks, phone calls, emails, appointments (one-on-one meetings), letters, and gifts.

3. Number of events – means the number of events a GoA official has lead, supported or attended.
 - a. Event – an event is a gathering of individuals at one of the following types of events: business-to-business meetings, receptions, workshops/seminars, trade shows, conferences, outgoing missions from Alberta, incoming visits to Alberta, trade policy/advocacy, government-to-government meetings. There are two types of events: parent events and child events.
 - i. Parent event – large events that consist of several components
 - ii. Child event – a smaller event and a component of a parent event

4. Number of leads generated – means the number of trade, investment, policy or advocacy leads generated by GoA officials.
 - a. Two criteria must be met to qualify as a lead:
 - i. GoA officials must demonstrate that significant follow-up has occurred between EDT and the client.
 - ii. The clients must have invested a significant amount of time in advancing the opportunity.

5. Number of wins facilitated – means the number of opportunities closed as won by GoA officials.
 - a. Opportunity – an opportunity involves a contact that has committed to working with the GoA on a trade, investment, policy, or advocacy agreement. Types of opportunities include trade, investment, memorandum of understanding (MOU) and signed agreements, and policy statements and endorsements.
 - i. Trade opportunity – buying and selling of goods and services between contacts
 - ii. Investment opportunity – when an account/contact commits money or capital to an endeavour (business, project, real estate, etc.) in Alberta with the expectation of obtaining an additional income or profit.
 - iii. MOU and signed agreement opportunity – a signed agreement, letter of intent or a MOU impacting the GoA.
 - iv. Policy statement and endorsement opportunity – significant policy or advocacy related statements from key officials.
 - b. Four criteria must be met to qualify as a win:
 - i. GoA officials must demonstrate a measureable result achieved by a client with a partner (e.g., trade/investment transaction, signed MOU or agreement, or public statement or endorsement).
 - ii. GoA officials must have been instrumental in bringing the result to fruition.
 - iii. For wins where the dollar value impact is made publicly available, or is verified, the dollar value is included in the aggregate economic benefit results reported.
 - iv. For wins where the dollar value impact is not available or not verifiable, it is counted as a win, but the dollar value is reported as zero in the aggregate economic benefit results reported.

Target Setting for Fiscal Year 2016-17

Notes to Target Setting:

Targets for the 2016-17 fiscal year are based on international offices' previous years' performance measure results, statistical analysis aimed at standardizing performance expectations, and the capabilities of the CRM database. Preliminary targets for each of the international offices were established at the beginning of the fiscal year and were later used to inform the 2016-17 performance measure targets for each international office. The annual performance measure targets are set as stretch targets to evaluate the inputs, outputs, and outcomes of the international offices for annual reporting accountabilities.

Standardization of the expectations of each individual was the goal in establishing performance measure targets for fiscal year 2016-17. To achieve this, targets have been calculated on a per person basis, and then multiplied by the number of staff in an office, with the following adjustments:

- A deduction of at least one administrative assistant per office, as their time is not dedicated to commercial activities. If there is no administrative assistant in an office, then one commercial assistant will be deducted so that all offices have a reduction of at least one staff in the calculations of their total office target.
- For any commercial assistants not deducted as administration, they will be included with a multiplier of 0.5 since their time is split between administration and commercial activities.

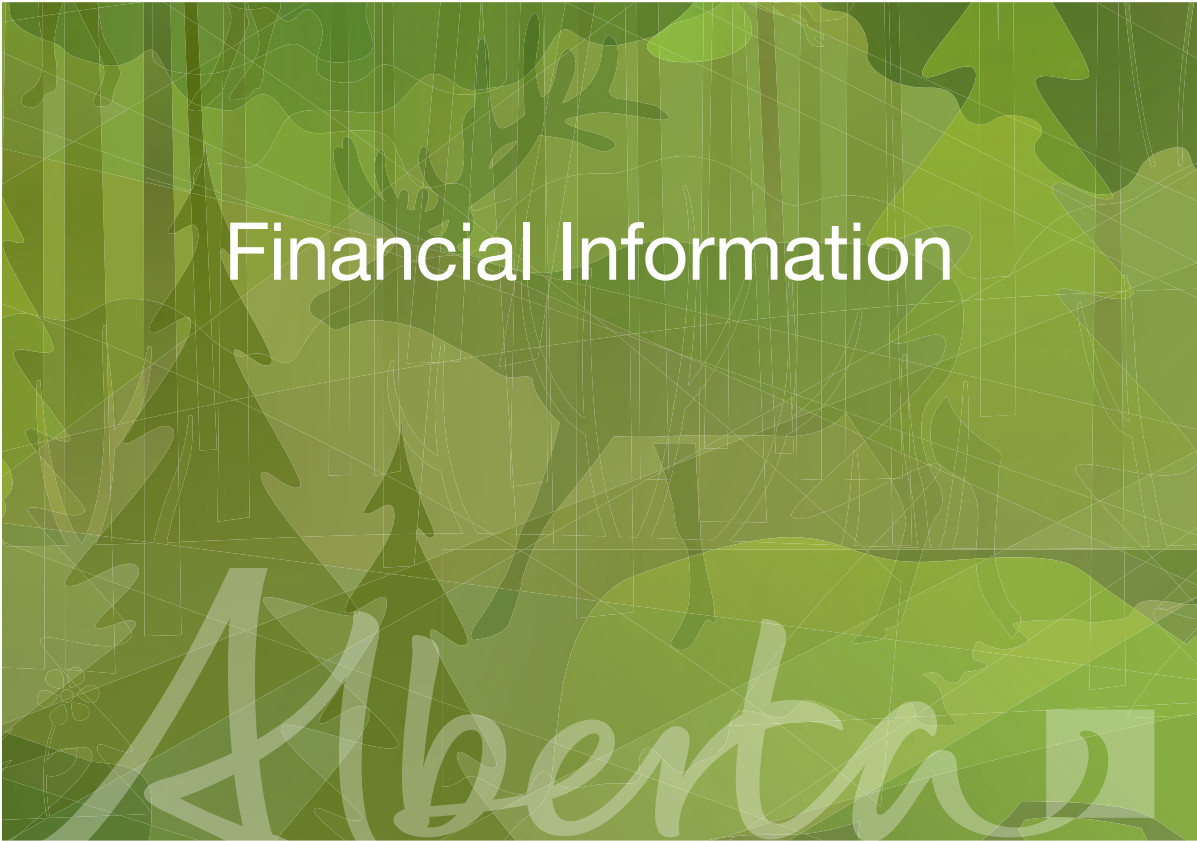
New measures: All of the performance measures for 2016-17 are new although some of the measures were derived from previous performance measures.

1. Number of services provided – target set was previously based on ‘# of intelligence/market reports generated,’ ‘# of seminars, trade shows, and events,’ and ‘# of activities with partnering GoA ministries.’ With the use of the CRM, EDT now counts only meaningful and substantial services provided to clients.
2. Number of clients served –the number of clients served was previously divided into three categories: ‘# of client meetings,’ ‘# of companies/investors participating in missions/delegations to Alberta,’ and ‘# of Alberta companies/investors participating in missions/delegations to the target market.’ This performance measure now counts the number of clients who receive only meaningful and substantial services provided to clients.
3. Number of events – previously, the events category was divided into two categories: ‘# of missions/delegations to Alberta’ and ‘# of missions/delegations to the target market.’ Combining these types of events and expanding it to include a broader definition of events under one category demonstrates the parallels between this type of work and the service provided by GOA officials.

4. Number of leads generated – this performance measure was formerly called ‘# of leads/negotiations generated’ and has not changed significantly. Targets have been set modestly as staff transition to ensure that they can capture wins relevant for reporting.
5. Number of wins facilitated – ‘wins’ were previously reported under ‘# of economic outcomes facilitated.’ The definition of this performance measure has become more stringent so performance measure targets have been set optimistically while staff are transitioning to a new reporting system.

Target setting procedure:

1. Number of services provided – using various measures of centre and a comparison of all international offices’ use of the CRM, a standardized target of one substantial service per person, per working day was established.
2. Number of clients served – using the CRM, EDT counts only those clients who received services from GoA officials. With substantial quantitative analysis and identifying trends across the international office network, a relationship of one and one half services to each client served per month was established. This ratio was used to calculate each international office’s performance measure target and is based on the number of services provided.
3. Number of events – using data from the international office as well as various measures of centre, a target of one event per person per month was established.
4. Number of leads generated – combining previous years data with CRM data, a target of 0.9 (~12 annually) leads per person per month was established.
5. Number of wins facilitated –there is a correlation between the number of leads generated and wins facilitated. Using this data, targets for wins was set optimistically at roughly one tenth of the number of leads generated finalizing a target of 0.1 win per person per month (~1.2 annually).





Ministry of Economic Development
and Trade

**Ministry of Economic
Development and Trade**

**Consolidated Financial Statements
Year Ended March 31, 2017**

**MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Change in Net Financial Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 - Consolidated Revenues

Schedule 2 - Consolidated Expenses – Directly Incurred Detailed by Object

Schedule 3 - Consolidated Allocated Costs

Schedule 4 - Consolidated Portfolio Investments

Schedule 5 - Related Party Transactions

Schedule 6 - List of Entities Included in the Consolidated Financial Statements



Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Economic Development and Trade, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Economic Development and Trade as at March 31, 2017, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 2, 2017

Edmonton, Alberta

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	2017		2016
	Budget	Actual	(Restated Note 4) Actual
<i>(in thousands)</i>			
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	\$ 115,560	\$ 111,775	\$ 104,760
Federal and Other Government Grants	5,487	6,888	40
Investment Income	1,333	1,937	1,231
Premiums, Fees and Licenses	3,015	1	1
Contract and Other Revenue	70,029	50,312	69,205
	195,424	170,913	175,237
Expenses - Directly Incurred (Note 2(b), Schedules 2 and 3)			
Programs			
Ministry Support Services	14,924	13,171	7,512
Economic Development	36,565	28,093	20,500
Trade and Investment Attraction	24,181	23,097	21,818
Science and Innovation	48,280	56,350	53,685
Jobs, Investment and Diversification	42,400	14,665	-
Alberta Enterprise Corporation	850	1,955	1,189
Climate Leadership Plan	-	356	-
2013 Alberta Flooding	-	-	75
Alberta Innovates	302,973	298,366	303,641
	470,173	436,053	408,420
Annual Deficit	\$ (274,749)	\$ (265,140)	\$ (233,183)

The accompanying notes and schedules are part of these consolidated financial statements.

**MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017**

	2017	2016
		(Restated Note 4)
	Actual	Actual
	<i>(in thousands)</i>	
Financial Assets		
Cash and Cash Equivalents (Note 5)	\$ 202,341	\$ 266,212
Accounts Receivable (Note 6)	22,928	15,166
Portfolio Investments (Schedule 4)	67,863	62,984
Advances (Note 7)	700	721
	<u>293,832</u>	<u>345,083</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	55,117	47,141
Deferred Revenue (Note 9)	40,035	44,472
	<u>95,152</u>	<u>91,613</u>
Net Financial Assets	<u>198,680</u>	<u>253,470</u>
Non-Financial Assets		
Tangible Capital Assets (Note 11)	38,460	31,957
Prepaid Expenses	1,234	1,140
	<u>39,694</u>	<u>33,097</u>
Net Assets Before Spent Capital Contributions	<u>238,374</u>	<u>286,567</u>
Spent Deferred Capital Contributions (Note 9)	5,265	-
Net Assets	<u>233,109</u>	<u>286,567</u>
Net Assets, Beginning of Year (Note 4)	286,567	293,185
Adjustment to Net Assets (Note 14)	1,211	-
Annual Deficit	(265,140)	(233,183)
Net Financing Provided from General Revenues	210,471	226,565
Net Assets, End of Year	<u>\$ 233,109</u>	<u>\$ 286,567</u>

Contingent Liabilities (Note 12) and Contractual Obligations (Note 13).

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2017

	2017		2016
	Budget	Actual	(Restated Note 4) Actual
	<i>(in thousands)</i>		
Annual Deficit	\$ (274,749)	\$ (265,140)	\$ (233,183)
Acquisition of Tangible Capital Assets (Note 11)	(9,175)	(10,909)	(5,105)
Amortization of Tangible Capital Assets (Note 11)	5,233	5,310	5,054
Loss on Disposal of Tangible Capital Assets		138	41
Proceeds on Sale of Tangible Capital Assets		25	43
Write-down of Tangible Capital Assets		144	-
Change in Prepaid Expenses		(94)	3,385
Change in Spent Deferred Capital Contributions		5,265	-
Net Financing Provided from General Revenues		210,471	226,565
Decrease in Net Financial Assets		(54,790)	(3,200)
Net Financial Assets, Beginning of Year		253,470	182,517
Adjustment to Opening Net Assets (Note 4)		-	74,153
Net Financial Assets, End of Year		<u>\$ 198,680</u>	<u>\$ 253,470</u>

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	2017	2016
		(Restated Note 4)
	Actual	Actual
	<i>(in thousands)</i>	
Operating Transactions		
Annual Deficit	\$ (265,140)	\$ (233,183)
Non-Cash Items Included in Net Operating Results		
Amortization of Tangible Capital Assets (Note 11)	5,310	5,054
Deferred Contributions Recognized as Revenue (Note 9)	(20,962)	(21,151)
(Gain) Loss on Sale of Portfolio Investments	(716)	350
Loss on Disposal of Tangible Capital Assets	138	40
Write-down of Tangible Capital Assets	144	-
	<u>(281,226)</u>	<u>(248,890)</u>
(Increase) Decrease in Accounts Receivable	(7,762)	4,268
(Increase) Decrease in Prepaid Expenses	(94)	3,385
Increase in Accounts Payable and Accrued Liabilities	7,976	9,501
Increase in Deferred Revenue	21,790	15,638
Cash Applied to Operating Transactions	<u>(259,316)</u>	<u>(216,098)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 11)	(10,909)	(5,105)
Proceeds on Sale of Tangible Capital Assets	25	43
Cash Applied to Capital Transactions	<u>(10,884)</u>	<u>(5,062)</u>
Investing Transactions		
Purchase of Portfolio Investments	(13,961)	(11,051)
Distributions from Limited Partnerships	9,798	5,017
Decrease in Advances	21	30
Cash Applied to Investing Transactions	<u>(4,142)</u>	<u>(6,004)</u>
Financing Transactions		
Net Financing Provided from General Revenues	210,471	226,565
Cash Provided by Financing Transactions	<u>210,471</u>	<u>226,565</u>
Decrease in Cash and Cash Equivalents	<u>(63,871)</u>	<u>(599)</u>
Cash and Cash Equivalents at Beginning of Year	266,212	266,811
Cash and Cash Equivalents at End of Year	<u>\$ 202,341</u>	<u>\$ 266,212</u>

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

Note 1 AUTHORITY AND PURPOSE

The Ministry of Economic Development and Trade (the Ministry) operates under the authority of the Government Organization Act and its regulations and has been designated responsibilities for various Acts.

The purpose of the Ministry is to build a resilient, robust and dynamic Alberta economy. The Ministry ensures outcomes are achieved by:

- Supporting businesses and private sector job creation;
- Enhancing access to capital for small and medium-sized enterprises;
- Coordinating and leveraging research and innovation to increase the commercialization of Alberta ideas and to meet the needs of Albertans, from environmental stewardship to improved health outcomes;
- Facilitating export development and investment attraction from targeted international markets;
- Enhancing Alberta's national and international presence; and
- Leading Alberta's negotiations on domestic and international trade agreements.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity and Method of Consolidation

The reporting entity is the Ministry of Economic Development and Trade, for which the Minister of Economic Development and Trade is accountable. The accounts of the Department are fully consolidated with Alberta Enterprise Corporation and Alberta Innovates on a line-by-line basis.

The accounts of government sector entities, except those designated as government business enterprises, are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets and liabilities) are included in government's results.

Revenue and expense, capital, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue.

Investment income earned from restricted sources are deferred and recognized when the stipulations imposed have been met. Gains and losses on investments are not recognized in the Consolidated Statement of Operations until realized.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Revenues (Continued)

Government Transfers

Transfers from all governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recognized as deferred revenue if the eligibility criteria for use of the transfer, or the stipulations together with the Ministry's actions and communications as to the use of transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Ministry complies with its communicated use of these transfers.

All other government transfers, without stipulations for the use of the transfer, are recognized as revenue when the transfer is authorized and the Ministry meets the eligibility criteria (if any).

Non-Government Grants

Non-government grants are received from individuals, corporations, and private sector not-for-profit organizations. Non-government grants may be unrestricted or externally restricted for operating or capital purposes. Unrestricted non-government grants are recognized as revenue in the year received or in the year the funds are committed and the amounts can be reasonably estimated. Externally restricted non-government grants and realized gains and losses for the associated externally restricted investment income are recognized as deferred revenue if the terms for their use, or the terms along with the Ministry's actions and communications as to the use, create a liability. These resources are recognized as the terms are met and, when applicable, the Ministry complies with its communicated use.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for. In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which comprise the cost of employer contributions for current service of employees during the year; and
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Expenses (Continued)

Incurring by Others

Services contributed by other related entities in support of the Ministry's operations are not recognized and are allocated to programs to show the full cost in Schedule 3.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments. Fair values of advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timelines or cost to estimate the fair value with sufficient reliability.

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Ministry's financial claims on external organizations and individuals at the year end, and include financial claims, such as advances to and receivables from other organizations, employees and other individuals, portfolio investments as well as cash.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short term commitments rather than for investment purposes.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Portfolio Investments

Portfolio Investments are reported at cost, or amortized cost, less any write-downs associated with a loss in value that is other than a temporary decline. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value. Gains and losses on investments are recognized when an investment is sold or when there is a permanent impairment in the value of an investment.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Advances

Advances are recognized at cost.

Liabilities

Liabilities represent present obligations of the Ministry to external organizations and individuals arising from transactions or events occurring before year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the Ministry at the year end;
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely.

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Ministry is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of the operations.

Non Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Tangible Capital Assets

Tangible capital assets of the Ministry are recognized at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems developments is \$250,000 and the threshold for major enhancements is \$100,000. The threshold for capitalizing all other tangible capital assets is \$5,000. All land is capitalized.

Work-in-progress, which includes facilities and improvement projects; and development of information systems, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Ministry's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

Amortization is only charged if the tangible capital asset is put into service.

Prepaid Expense

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Foreign Currency Transactions

The Ministry uses the temporal method to translate foreign currency transactions as follows:

- monetary items are translated at the rate of exchange in effect at the balance sheet date; and
- expense items and non-monetary items are translated at the rate of exchange in the period they occur.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies.

The fair values of portfolio investments disclosed in Schedule 4 as \$93,032 (2016: \$83,557) are subject to measurement uncertainty. The fair value of the investments is estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Measurement Uncertainty (Continued)

(in thousands)

Accounts payable and accrued liabilities, recognized as \$928 (2016: \$824) in these financial statements and related to separation allowances calculated for Locally Engaged staff (LES) located at our international offices, is subject to measurement uncertainty. Separation allowances include the LES vacation liabilities and potential severance payments as required by the local international jurisdiction's labour law.

The Ministry's liability could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Note 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section on PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.
- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.
- **PS 3450 Financial Instruments (effective April 1, 2019)**
The Ministry has not yet adopted this standard and has the option of adopting it in fiscal year 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments.

Management is currently assessing the impact of these standards on the financial statements.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 4 PROGRAM TRANSFER/GOVERNMENT REORGANIZATIONS

(in thousands)

Creation of Alberta Innovates

Alberta Innovates is a Provincial corporation, as defined in the *Financial Administration Act*. It was established effective November 1, 2016 under the *Alberta Research and Innovation Act*. The *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates-Bio Solutions, Alberta Innovates-Energy and Environment Solutions, Alberta Innovates-Health Solutions, and Alberta Innovates-Technology Futures and create one new research and innovation corporation, "Alberta Innovates." Two wholly owned subsidiary corporations, C-FER Technologies (1999) Inc. and InnoTech Alberta Inc., along with the Alberta Foundation for Health Research are also reporting entities of Alberta Innovates.

Program Transfer

Responsibility for the administration of Northern Alberta Development Council was transferred from the Ministry of Indigenous Relations to the Ministry on December 7, 2015. However, the transfer of budget, staff and financial reporting took effect on April 1, 2016. Responsibility for the operational funding of Alberta Innovates-Health Solutions was transferred from the Ministry of Health to the Ministry effective November 1, 2016.

Comparatives for 2016 have been restated as if the Ministry had always been assigned with its current responsibilities. The effect was an increase in expenses by \$105,609 and an increase in revenues by \$70,311. This change also increased the Net Financing Provided from General Revenues by \$2,037.

Net Assets on April 1, 2015 are made up as follows:

Net Assets as previously reported	\$ 236,835
Adjustments to Opening Net Assets due to government reorganization	7,991
Transfer from the Ministry of Indigenous Relations	(241)
Transfer from the Ministry of Health	48,600
Net Assets at April 1, 2015	<u>\$ 293,185</u>

Net Financial Assets on April 1, 2015 is made up as follows:

Net Financial Assets as previously reported	\$ 201,431
Adjustments to Opening Net Financial Assets due to government reorganization	(66,162)
Transfer from the Ministry of Indigenous Relations	(241)
Transfer from the Ministry of Health	47,489
Net Financial Assets at April 1, 2015	<u>\$ 182,517</u>

Note 5 CASH AND CASH EQUIVALENTS

(in thousands)

Cash and cash equivalents include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 5 CASH AND CASH EQUIVALENTS (Continued)

(in thousands)

As at March 31, 2017 securities held by the Fund have a time-weighted return of 0.9% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2017	2016 (Restated Note 4)
Cash and cash equivalents ^(a)	\$ 202,341	\$ 266,212

^(a) Cash and cash equivalents includes \$32,076 (2016: \$38,234) of restricted cash.

Note 6 ACCOUNTS RECEIVABLE

(in thousands)

	2017 Net Realizable Value	2016 (Restated Note 4) Net Realizable Value
Accounts Receivable	\$ 22,928	\$ 15,166

Accounts Receivable are unsecured and non-interest bearing.

Note 7 ADVANCES

(in thousands)

Advances include type A, B and C accountable advances. Advances are primarily for operational use for the co-located international offices.

	2017 Net Realizable Value	2016 Net Realizable Value
Advances	\$ 700	\$ 721

Note 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2017	2016 (Restated Note 4)
Accounts Payable and Accrued Liabilities	\$ 19,932	\$ 3,376
Benefit Plans	148	202
Other	35,037	43,563
	\$ 55,117	\$ 47,141

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 9 DEFERRED REVENUE

(in thousands)

	2017	2016 (Restated Note 4)
Deferred Contract Revenue	\$ 7,171	\$ 8,788
Deferred Revenue ^(a)	32,864	35,494
Unspent Deferred Capital Contributions ^(b)	-	190
	40,035	44,472
Spent Deferred Capital Contributions ^(c)	5,265	-
	\$ 45,300	\$ 44,472

^(a) Deferred Revenue

	2017			2016 (Restated Note 4)
	Government of Alberta	Other	Total	Total
Balance, beginning of the year	\$ 25,012	\$ 10,482	\$ 35,494	\$ 42,335
Cash contributions received/receivable during the year	10,972	7,169	18,141	14,095
Restricted contributions received/receivable during the year	180	-	180	215
Less amounts recognized as revenue	(12,435)	(8,516)	(20,951)	(21,151)
Balance, end of year	\$ 23,729	\$ 9,135	\$ 32,864	\$ 35,494

^(b) Unspent Deferred Capital Contributions

	2017			2016 (Restated Note 4)
	Government of Alberta	Other	Total	Total
Balance, beginning of the year	\$ 190	\$ -	\$ 190	\$ -
Received/receivable during the year	-	5,086	5,086	190
Transferred to spent deferred capital contributions	(190)	(5,086)	(5,276)	-
Balance, end of year	\$ -	\$ -	\$ -	\$ 190

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 9 DEFERRED REVENUE

(in thousands)

^(c) Spent Deferred Capital Contributions

	2017			2016 (Restated Note 4)
	Government	Other	Total	Total
	of Alberta			
Balance, beginning of the year	\$ -	\$ -	\$ -	\$ -
Transferred from unspent deferred capital contributions	190	5,086	5,276	-
Less amounts recognized as revenue	(11)	-	(11)	-
Balance, end of year	\$ 179	\$ 5,086	\$ 5,265	\$ -

Note 10 BENEFIT PLANS

(in thousands)

Pension Plans

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP) and Public Service Pension Plan (PSPP) and Supplementary Retirement Plan (SRP) for Public Service Managers. The expense for these plans is equivalent to the annual contributions of \$12,085 for the year ended March 31, 2017 (2016: \$16,833).

At December 31, 2016, the Management Employees Pension Plan reported a surplus of \$402,033 (2015: surplus \$299,051), the Public Service Pension Plan reported a surplus of \$302,975 (2015: deficiency \$133,188).

At December 31, 2016, the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015: deficiency \$16,305). The Ministry is not responsible for future funding of the plan deficit other than through contribution increases.

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of \$101,515 (2016: surplus \$83,006) and the Management, Opted Out and Excluded Plan reported a surplus of \$31,439 (2016: surplus \$29,246). The expense for these two plans is limited to the employer's annual contributions for the year.

A portion of the Ministry participated in a Defined Contribution Pension Plan until November 1, 2016. After November 1, 2016, these employees participate in the MEPP and PSPP. The expense for this pension plan is \$616 (2016: \$610). The Ministry accounts for this plan on a defined contribution basis.

Supplementary Retirement Benefit Plans

The Benefit Plans consist of the unfunded liability for the Ministry's supplemental retirement plan, the benefits under which are paid for entirely by the Ministry when they come due. There are no plan assets. There are no active members remaining in the plan and one retired member eligible for benefits. As at March 31, 2017 these plans have a net accrued liability of \$148 (2016: net accrued liability of \$202).

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 11 TANGIBLE CAPITAL ASSETS

(in thousands)

Estimated Useful Life					2017	2016
	Land	Building and Improvements	Equipment⁽¹⁾	Computer hardware & software	Total	(Restated Note 4) Total
	Indefinite	25-30 years	3-40 years	3-10 years		
Historical Cost⁽²⁾						
Beginning of Year	\$ 566	\$ 10,014	\$ 63,225	\$ 10,155	\$ 83,960	\$ 85,573
Additions	-	5,242	4,588	2,290	12,120	5,105
Disposals, including Write-downs	-	(25)	(691)	(482)	(1,198)	(6,718)
	<u>566</u>	<u>15,231</u>	<u>67,122</u>	<u>11,963</u>	<u>94,882</u>	<u>83,960</u>
Accumulated						
Beginning of Year	-	4,031	42,448	5,524	52,003	53,583
Amortization Expense	-	561	3,504	1,245	5,310	5,054
Effect Disposals, including Write-downs	-	(9)	(498)	(384)	(891)	(6,634)
	<u>-</u>	<u>4,583</u>	<u>45,454</u>	<u>6,385</u>	<u>56,422</u>	<u>52,003</u>
Net Book Value at March 31, 2017	<u>\$ 566</u>	<u>\$ 10,648</u>	<u>\$ 21,668</u>	<u>\$ 5,578</u>	<u>\$ 38,460</u>	
Net Book Value at March 31, 2016	<u>\$ 566</u>	<u>\$ 5,983</u>	<u>\$ 20,777</u>	<u>\$ 4,631</u>		<u>\$ 31,957</u>

(1) Equipment includes vehicles, heavy equipment, office equipment and furniture, and other equipment. The net book value of capital assets under construction that are not currently being amortized is \$1,153 (2016 - \$1,071).

(2) Historical cost includes work-in-progress at March 31, 2017 totalling \$1,211 comprised of computer hardware and software. Work-in-progress amounting to \$263 (2016: \$nil) for computer hardware and software (2016: \$nil) are for the One IMT Enterprise applications and systems that will be transferred back from Service Alberta in fiscal year 2017-18 and have therefore not been included in these financial statements.

Note 12 CONTINGENT LIABILITIES

(in thousands)

At March 31, 2017, the Ministry was named as defendant in one (2016: three) specific legal action. For this claim, no specific amount has yet been claimed; the amount of this claim (2016: \$631) will be determined at trial. The resulting loss from this claim, if any, cannot be determined.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 13 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2017	2016 (Restated Note 4)
Obligations under operating leases, contracts and programs	\$ 268,017	\$ 310,872

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations under operating leases, contracts and programs	Total
2017-18	\$ 162,292
2018-19	77,842
2019-20	19,127
2020-21	5,574
2021-22	2,600
Thereafter	582
	\$ 268,017

Note 14 ADJUSTMENT TO NET ASSETS

(in thousands)

The reconciliation of adjustments to net assets is as follows:

	2017	2016
Non-Grant Transfer of Tangible Capital Assets from Service Alberta	\$ 1,211	\$ -

Note 15 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

Note 16 APPROVAL OF FINANCIAL STATEMENTS

The Deputy Minister and Senior Financial Officer approved these consolidated financial statements.

**MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED REVENUES
YEAR ENDED MARCH 31, 2017**

SCHEDULE 1

	2017	2016
	Actual	(Restated Note 4) Actual
	<i>(in thousands)</i>	
Government Transfers		
Government of Alberta Grants		
Alberta Heritage Science and Engineering Research Endowment Fund	\$ 35,300	\$ 34,800
Alberta Heritage Foundation for Medical Research Endowment Fund	64,972	55,160
Other	11,503	14,800
	111,775	104,760
Federal and Other Government Grants	6,888	40
Investment Income	1,937	1,231
Premiums, Fees and Licences	1	1
Contract and Other Revenue		
Contract Revenue, Sales, Rentals and Services	45,764	66,999
Refunds of Expenditure	2,630	1,009
Non-Government Grants	1,664	918
Revenue from Agreements and Other	254	279
	50,312	69,205
Total Revenues	\$ 170,913	\$ 175,237

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2017

SCHEDULE 2

	2017	2016
		(Restated Note 4)
	Actual	Actual
	<i>(in thousands)</i>	
Salaries, Wages and Employee Benefits	\$ 125,617	\$ 124,133
Supplies and Services	55,184	53,119
Grants	252,712	228,945
Amortization of Tangible Capital Assets (Note 11)	5,310	5,054
Other	255	57
Total Expenses before Recoveries	<u>439,078</u>	<u>411,308</u>
Less Recovery from Support Service Arrangements with Related Parties ^(a)	<u>(3,025)</u>	<u>(2,888)</u>
	<u><u>\$ 436,053</u></u>	<u><u>\$ 408,420</u></u>

^(a) The Ministry of Economic Development and Trade (the Ministry) provides information technology and freedom of information and protection of privacy services for the Ministry of Indigenous Relations. The Ministry of Indigenous Relations assumed responsibility for the administration of finance on August 1, 2016, human resources on November 1, 2016 and corporate administration on January 1, 2017 from the Ministry. Although the above mentioned services were transferred to Ministry of Indigenous Relations during the year, the transfer of budget and full-time equivalents will be effective April 1, 2017. For 2016-17, actual costs incurred by the Ministry for the transferred services are recovered from the Ministry of Indigenous Relations to align with Budget 2016.

**MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED ALLOCATED COSTS
YEAR ENDED MARCH 31, 2017**

SCHEDULE 3

Program	2017					2016
	Expenses⁽¹⁾	Accommodation Costs⁽²⁾	Legal Services⁽³⁾	Business Services⁽⁴⁾	Total Expenses	(Restated Note 4) Total Expenses
	<i>(in thousands)</i>					
Ministry Support Services	\$ 13,171	\$ 1,109	\$ 161	\$ 333	\$ 14,774	\$ 9,196
Economic Development	28,093	1,337	123	401	29,954	21,919
Trade and Investment Attraction	23,097	1,228	173	368	24,866	23,390
Science and Innovation	56,350	674	158	202	57,384	54,557
Jobs, Investment and Diversification	14,665	-	-	-	14,665	-
Alberta Enterprise Corporation	1,955	-	-	-	1,955	1,189
Climate Leadership Plan	356	-	-	-	356	-
2013 Alberta Flooding	-	-	-	-	-	75
Alberta Innovates	298,366	21,795	-	-	320,161	324,578
	\$ 436,053	\$ 26,143	\$ 615	\$ 1,304	\$ 464,115	\$ 434,904

(1) Expenses - Directly Incurred as per Consolidated Statement of Operations.

(2) Accommodation Costs, including grants in lieu of taxes, allocated by square footage.

(3) Legal Services Costs, allocated by estimated costs incurred by each program.

(4) Business Services Costs, include charges for IT support, vehicles, air transportation, internal audit services and other services, allocated by costs in certain programs.

**MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
CONSOLIDATED PORTFOLIO INVESTMENTS
YEAR ENDED MARCH 31, 2017**

SCHEDULE 4

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
	<i>(in thousands)</i>			
Equities				
Canadian equities	\$ 38,287	\$ 48,966	\$ 39,249	\$ 46,718
Foreign equities	29,576	44,066	23,735	36,839
Total Portfolio Investments	<u>\$ 67,863</u>	<u>\$ 93,032</u>	<u>\$ 62,984</u>	<u>\$ 83,557</u>

Fair values are for disclosure purposes. Portfolio investments are reported at cost, or amortized cost, less any write-downs associated with a loss in value that is other than a temporary decline.

Management is responsible for estimating the relative reliability of data or inputs used by the Ministry to measure the fair value of the Ministry's investments. The measure of reliability is determined based on the following three levels:

Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

The Ministry's investments have all been classified within level three as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation. As quoted market prices are not readily available, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2017

SCHEDULE 5

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's consolidated financial statements. Related parties also include key management personnel in the ministry. The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Ministry had the following transactions with related parties recognized in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	2017	2016 (Restated Note 4)
	<i>(in thousands)</i>	
Revenues		
Grants	\$ 111,774	\$ 104,932
Other	3,231	4,103
	<u>\$ 115,005</u>	<u>\$ 109,035</u>
Expenses - Directly Incurred		
Grants	\$ 163,597	\$ 159,040
Other Services	2,801	2,279
	<u>\$ 166,398</u>	<u>\$ 161,319</u>
Tangible Capital Assets Transferred in (out)	<u>\$ 1,211</u>	<u>\$ (87)</u>
Receivables from	<u>\$ 5,670</u>	<u>\$ 1,713</u>
Payable to	<u>\$ 7,478</u>	<u>\$ 9,338</u>
Deferred Revenue	<u>\$ 24,407</u>	<u>\$ 25,242</u>
Contractual Obligations	<u>\$ 166,014</u>	<u>\$ 223,184</u>

The above transactions do not include support service arrangement transactions disclosed in Schedule 2. The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not reported in the consolidated financial statements and are disclosed in Schedule 3.

	2017	2016 (Restated Note 4)
	<i>(in thousands)</i>	
Expenses - Incurred by Others		
Accommodation	\$ 26,143	\$ 24,848
Legal Services	615	566
Business Services and Other	1,304	1,070
	<u>\$ 28,062</u>	<u>\$ 26,484</u>

**MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE
ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

SCHEDULE 6

Department

Department of Economic Trade and Development

Agencies

Alberta Enterprise Corporation

Alberta Innovates



Department of Economic Development
and Trade

**Department of Economic
Development and Trade**

**Financial Statements
Year Ended March 31, 2017**

**DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
FINANCIAL STATEMENTS
MARCH 31, 2017**

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Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Economic Development and Trade, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Economic Development and Trade as at March 31, 2017, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 2, 2017

Edmonton, Alberta

**DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017**

	2017		2016
	Budget	Actual	(Restated Note 3) Actual
<i>(in thousands)</i>			
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	\$ 106,580	\$ 100,272	\$ 89,960
Other Revenue	529	773	1,034
	<u>107,109</u>	<u>101,045</u>	<u>90,994</u>
Expenses - Directly Incurred (Note 2(a), Schedules 2, 3, 5 and 6)			
Programs			
Ministry Support Services	14,924	13,171	7,512
Economic Development	87,415	78,997	21,544
Trade and Investment Attraction	24,181	23,727	21,818
Science and Innovation	234,028	232,403	274,975
Jobs, Investment and Diversification	42,400	19,665	-
Climate Leadership Plan	-	356	-
2013 Alberta Flooding	-	-	75
	<u>402,948</u>	<u>368,319</u>	<u>325,924</u>
Annual Deficit	<u>\$ (295,839)</u>	<u>\$ (267,274)</u>	<u>\$ (234,930)</u>

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
		(Restated Note 3)
	Actual	Actual
	<i>(in thousands)</i>	
Financial Assets		
Cash	\$ 1,931	\$ 1,923
Accounts Receivable (Note 4)	1,206	208
Advances (Note 5)	700	721
	<u>3,837</u>	<u>2,852</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	77,785	19,938
	<u>77,785</u>	<u>19,938</u>
Net Debt	<u>(73,948)</u>	<u>(17,086)</u>
Non-financial Assets		
Tangible Capital Assets (Note 7)	1,351	81
	<u>1,351</u>	<u>81</u>
Net Liabilities	<u>(72,597)</u>	<u>(17,005)</u>
Net Liabilities at Beginning of Year (Note 3)	(17,005)	(8,640)
Adjustment to Net Liabilities (Note 11)	1,211	-
Annual Deficit	(267,274)	(234,930)
Net Financing Provided from General Revenues	210,471	226,565
Net Liabilities at End of Year	<u>\$ (72,597)</u>	<u>\$ (17,005)</u>

Contingent Liabilities (Note 8) and Contractual Obligations (Note 9).

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
STATEMENT OF CHANGE IN NET DEBT
YEAR ENDED MARCH 31, 2017

	<u>2017</u>		<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>(Restated Note 3) Actual</u>
	<i>(in thousands)</i>		
Annual Deficit	\$ (295,839)	\$ (267,274)	\$ (234,930)
Acquisition of Tangible Capital Assets (Note 7)	(25)	(71)	(25)
Amortization of Tangible Capital Assets (Note 7)	25	12	20
Write-downs of Tangible Capital Assets		-	21
Net Financing Provided from General Revenue		210,471	226,565
Increase in Net Debt		<u>(56,862)</u>	<u>(8,349)</u>
Net Debt at Beginning of Year		<u>(17,086)</u>	<u>(8,737)</u>
Net Debt at End of Year		<u><u>\$ (73,948)</u></u>	<u><u>\$ (17,086)</u></u>

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
		(Restated Note 3)
	Actual	Actual
	<i>(in thousands)</i>	
Operating Transactions		
Annual Deficit	\$ (267,274)	\$ (234,930)
Non-cash Items Included in Net Operating Results		
Amortization of Tangible Capital Assets (Note 7)	12	20
	<u>12</u>	<u>20</u>
(Increase) Decrease in Accounts Receivable	(998)	244
Increase in Accounts Payable and Accrued Liabilities	57,847	8,063
Cash Applied to Operating Transactions	<u>(210,413)</u>	<u>(226,603)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 7)	(71)	(25)
Write-downs of Tangible Capital Assets	-	21
Cash Applied to Capital Transactions	<u>(71)</u>	<u>(4)</u>
Investing Transactions		
Decreases in Advances	21	30
Cash Provided by Investing Transactions	<u>21</u>	<u>30</u>
Financing Transactions		
Net Financing Provided from General Revenues	210,471	226,565
Cash Provided by Financing Transactions	<u>210,471</u>	<u>226,565</u>
Increase (Decrease) in Cash	8	(12)
Cash at Beginning of Year	1,923	1,935
Cash at End of Year	<u>\$ 1,931</u>	<u>\$ 1,923</u>

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

Note 1 AUTHORITY AND PURPOSE

The Department of Economic Development and Trade (the Department), operates under the authority of the Government Organization Act, Chapter G-10.

The Department is part of the Ministry of Economic Development and Trade, for which the Minister of Economic Development and Trade is accountable. Other entities reporting to the Minister are the Alberta Enterprise Corporation and Alberta Innovates. The activities of these organizations are not included in these financial statements. The Ministry annual report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

The purpose of the Department is to build a resilient, robust and dynamic Alberta economy. The Department ensures outcomes are achieved by:

- Supporting businesses and private sector job creation;
- Enhancing access to capital for small and medium-sized enterprises;
- Coordinating and leveraging research and innovation to increase the commercialization of Alberta ideas and meet the needs of Albertans, from environmental stewardship to improved health outcomes;
- Facilitating export development and investment attraction from targeted international markets;
- Enhancing Alberta's national and international presence; and
- Leading Alberta's negotiations on domestic and international trade agreements.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recognized as unearned revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recognized as deferred revenue if the eligibility criteria of the transfer, or the stipulations together with the Department's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues, as the stipulations are met and, when applicable, the Department complies with its communicated uses of these transfers.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(a) Basis of Financial Reporting (Continued)

Government Transfers (Continued)

All other government transfers, without terms for the use of the transfer, are recognized as revenue when the transfer is authorized and the Department meets the eligibility criteria (if any).

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which are the cost of employer contributions for current service of employees during the year; and
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other related entities in support of the Department's operations are not recognized and are disclosed in Schedule 5 and allocated to programs in Schedule 6.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents; accounts receivable; loans and advances; and accounts payable and accrued liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(a) Basis of Financial Reporting (Continued)

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as cash.

Cash

Cash consists of deposits held with financial institutions.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Advances

Advances are recorded at cost.

Liabilities

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Non-financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

Non-financial assets of the Department are limited to tangible capital assets.

Tangible Capital Assets

Tangible capital assets of the Department are recognized at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is put into service.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(a) Basis of Financial Reporting (Continued)

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts payable and accrued liabilities, recognized as \$928 (2016: \$824) in these financial statements and related to separation allowances calculated for Locally Engaged staff (LES) located at our international offices, is subject to measurement uncertainty. Separation allowances include the LES vacation liabilities and potential severance payments as required by the local international jurisdiction's labour law.

Foreign Currency Transactions

The Department uses the temporal method to translate foreign currency transactions as follows:

- monetary items are translated at the rate of exchange in effect at the balance sheet date; and
- expense items and non-monetary items are translated at the rate of exchange in the period they occur.

(b) Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
PS 2200 defines a related party and establishes disclosures required for related party transactions. PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000 and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; and PS 3380 defines and establishes disclosure standards on contractual rights.
- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Future Accounting Changes (Continued)

• **PS 3450 Financial Instruments (effective April 1, 2019)**

Adoption of this standard requires corresponding adoption of PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation, and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. The Department has not yet adopted this standard and has the option of adopting it in fiscal year 2019-20 or earlier.

Management is currently assessing the impact of these standards on the financial statements.

Note 3 PROGRAM TRANSFER

(in thousands)

Responsibility for the administration of Northern Alberta Development Council was transferred from the Ministry of Indigenous Relations to the Department on December 7, 2015. However, the transfer of budget, staff and financial reporting took effect on April 1, 2016.

Responsibility for the operational funding of Alberta Innovates-Health Solutions was transferred from the Department of Health to the Department effective November 1, 2016.

Responsibility for the administration of the Intergovernmental Relations Program Support was also transferred from the Department to the Department of Executive Council on December 31, 2015. However, the transfer of budget and full-time equivalents took effect on April 1, 2016.

Comparatives for 2016 have been restated as if the Department had always been assigned with its current responsibilities. The effect was an increase in expenses by \$57,367 and an increase in revenues by \$55,160. This change also increased the Net Financing Provided from General Revenues by \$2,037.

Net liabilities on April 1, 2015 are made up as follows:

Net liabilities as previously reported by Economic Development and Trade	\$ (8,399)
Transfer from the Ministry of Indigenous Relations	(241)
Net liabilities at April 1, 2015	<u>\$ (8,640)</u>

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 3 PROGRAM TRANSFER (Continued)

(in thousands)

Net debt on April 1, 2015 is made up as follows:

Net debt as previously reported by Economic Development and Trade	\$ (8,496)
Transfer from the Ministry of Indigenous Relations	(241)
Net debt at April 1, 2015	\$ (8,737)

Note 4 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2017	2016
	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 1,206	\$ 208

Note 5 ADVANCES

(in thousands)

Advances are primarily for operational use for the co-located international offices.

	2017	2016
	Net Realizable Value	Net Realizable Value
Advances	\$ 700	\$ 721

Note 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2017	2016 (Restated Note 3)
Accounts Payable	\$ 13,662	\$ 2,918
Other Accrued Liabilities	64,096	17,020
Unearned Revenue	27	-
	\$ 77,785	\$ 19,938

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 7 TANGIBLE CAPITAL ASSETS

(in thousands)

	Equipment	Computer hardware and software	2017 Total	2016 Total
Estimated Useful Life	3-40 years	3-10 years		
Historical Cost				
Beginning of Year	\$ 522	\$ 382	\$ 904	\$ 1,333
Additions ⁽¹⁾	71	1,211	1,282	25
Disposals, including write-down	-	-	-	(454)
	<u>\$ 593</u>	<u>\$ 1,593</u>	<u>\$ 2,186</u>	<u>\$ 904</u>
Accumulated Amortization				
Beginning of Year	\$ 466	\$ 357	\$ 823	\$ 1,236
Amortization Expense	9	3	12	20
Effect of Disposals	-	-	-	(433)
	<u>\$ 475</u>	<u>\$ 360</u>	<u>\$ 835</u>	<u>\$ 823</u>
Net book value at March 31, 2017	<u>\$ 118</u>	<u>\$ 1,233</u>	<u>\$ 1,351</u>	
Net book value at March 31, 2016	<u>\$ 56</u>	<u>\$ 25</u>		<u>\$ 81</u>

⁽¹⁾ Additions include work-in-progress at March 31, 2017 totalling \$1,211 (2016 - \$nil) comprised of computer hardware and software. Work-in-progress amounting to \$263 (2016 - \$nil) for computer hardware and software are for the One IMT Enterprise applications and systems that will be transferred to the Department from Service Alberta in fiscal year 2017-18 and have therefore not been included in these financial statements.

Note 8 CONTINGENT LIABILITIES

(in thousands)

The Department was involved in one legal matter in 2016 where damages were being sought. This matter was closed and no damages were paid by the Department.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 9 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met:

	2017	2016 (Restated Note 3)
Obligations under service contracts	\$ 1,507	\$ 899
Obligations under grants	92,816	35,675
	\$ 94,323	\$ 36,574

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contracts	Grants	Total⁽¹⁾
2017-18	\$ 1,233	\$ 47,987	\$ 49,220
2018-19	179	27,170	27,349
2019-20	95	13,159	13,254
2020-21	-	4,500	4,500
2021-22	-	-	-
Thereafter	-	-	-
	\$ 1,507	\$ 92,816	\$ 94,323

⁽¹⁾ Major commitments included in the above figures are commitments related to grants for the Alberta Export Expansion Program \$50 (2016: \$nil), the Community and Regional Economic Support Program \$19 (2016: \$nil), the Research Capacity Planning Program \$11,170 (2016: \$25,495), grants to Alberta Innovates amounting to \$54,998 (2016: \$500), and other grants amounting to \$26,579 (2016: \$9,680).

Note 10 BENEFIT PLANS

(in thousands)

The Department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$5,434 for the year ended March 31, 2017 (2016: \$4,666). Departments are not responsible for future funding of the plan deficit other than through contribution increases. At December 31, 2016, the Management Employees Pension Plan reported a surplus of \$402,033 (2015 – surplus \$299,051), the Public Service Pension Plan reported a surplus of \$302,975 (2015 – deficiency \$133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015 – deficiency \$16,305).

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 10 BENEFIT PLANS (continued)
(in thousands)

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2017, the Bargaining Unit Plan reported a surplus of \$101,515 (2016 – surplus \$83,006) and the Management, Opted Out and Excluded Plan a surplus of \$31,439 (2016 – surplus \$29,246). The expense for these two plans is limited to the employer’s annual contributions for the year.

Note 11 ADJUSTMENT TO NET LIABILITIES
(in thousands)

The reconciliation of adjustments to net liabilities is as follows:

	2017	2016
Non-Grant Transfer of Tangible Capital Assets from Service Alberta	\$ 1,211	\$ -

Note 12 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

Note 13 APPROVAL OF FINANCIAL STATEMENTS

The Deputy Minister and the Senior Financial Officer approve these financial statements.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
YEAR ENDED MARCH 31, 2017

SCHEDULE 1

	2017		2016
	Budget	Actual	(Restated Note 3) Actual
	<i>(in thousands)</i>		
Revenues			
Government Transfers			
Government of Alberta Grants			
Alberta Heritage Science and Engineering Research Endowment Fund	\$ 35,300	\$ 35,300	\$ 34,800
Alberta Heritage Foundation for Medical Research Endowment Fund	71,280	64,972	55,160
	106,580	100,272	89,960
Other Revenue			
Refunds of Expense	15	512	754
Miscellaneous	514	260	279
Premiums, Fees, and Licenses	-	1	1
	529	773	1,034
Total Revenues	\$ 107,109	\$ 101,045	\$ 90,994

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2017

SCHEDULE 2

	2017		2016
	Budget	Actual	(Restated Note 3) Actual
	<i>(in thousands)</i>		
Salaries, Wages and Employee Benefits	\$ 50,667	\$ 47,673	\$ 41,217
Supplies and Services	17,062	19,167	10,925
Supplies and Services from Support Service Arrangements with Related Parties ⁽¹⁾	-	922	-
Grants	338,032	303,506	276,602
Amortization of Tangible Capital Assets	25	12	21
Financial Transactions and Other	65	64	47
Total Expenses before Recoveries	<u>405,851</u>	<u>371,344</u>	<u>328,812</u>
Less Recovery from Support Service Arrangements with Related Parties ⁽²⁾	(2,903)	(3,025)	(2,888)
	<u>\$ 402,948</u>	<u>\$ 368,319</u>	<u>\$ 325,924</u>

⁽¹⁾ The Department receives information management technology and legislative services from the Department of Advanced Education. Costs incurred by the department for these services are recovered by the Department of Advanced Education.

⁽²⁾ The Department provides information technology and freedom of information and protection of privacy services for the Ministry of Indigenous Relations. The Ministry of Indigenous Relations assumed responsibility for the administration of finance on August 1, 2016, human resources on November 1, 2016 and corporate administration on January 1, 2017 from the Department. Although the above mentioned services were transferred to Ministry of Indigenous Relations during the year, the transfer of budget and full-time equivalents will be effective April 1, 2017. For 2016 - 17, actual costs incurred by the Department for the transferred services are recovered from the Ministry of Indigenous Relations to align with Budget 2016.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
YEAR ENDED MARCH 31, 2017

SCHEDULE 3

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended)
	\$	\$	\$	\$	\$	\$
Program - Operating Expense						
1.0 Ministry Support Services						
1.1 Minister's Office	998	-	-	998	853	145
1.2 Associate Minister's Office	-	-	-	-	-	-
1.3 Deputy Minister's Office	797	-	-	797	756	41
1.4 Communications	1,225	-	-	1,225	1,214	11
1.5 Strategic Policy and Corporate Services	10,800	-	-	10,800	9,519	1,281
1.6 Secretariat Support	1,079	-	-	1,079	461	618
	14,899	-	-	14,899	12,803	2,096
2.0 Economic Development						
2.1 Program Delivery Support	5,011	-	-	5,011	4,404	607
2.2 Industry Development	12,990	-	-	12,990	6,250	6,740
2.3 Entrepreneurship and Regional Development	16,125	562	-	16,687	14,806	1,881
2.4 Northern Alberta Development Council	2,439	-	-	2,439	2,461	(22)
2.5 Transfer to Alberta Enterprise Corporation	50,850	-	-	50,850	50,850	-
	87,415	562	-	87,977	78,771	9,206
3.0 Trade and Investment Attraction						
3.1 Program Delivery Support	1,199	-	-	1,199	1,113	86
3.2 Trade Policy	2,031	-	-	2,031	1,828	203
3.3 Investment Attraction and Export Development	11,382	-	-	11,382	11,724	(342)
3.4 International Offices	9,569	-	-	9,569	8,839	730
	24,181	-	-	24,181	23,504	677

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
YEAR ENDED MARCH 31, 2017

SCHEDULE 3
(Continued)

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments <i>(in thousands)</i>	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended)
4.0 Science and Innovation						
4.1 Program Delivery Support	466	-	-	466	555	(89)
4.2 Innovation and System Engagement	32,335	-	-	32,335	31,679	656
4.3 Science and Innovation Policy and Strategy	8,122	-	-	8,122	8,357	(235)
4.4 Technology Partnerships and Investments	20,356	-	-	20,356	19,978	378
4.5 Grants to Alberta Innovates	169,749	-	-	169,749	171,749	(2,000)
	231,028	-	-	231,028	232,318	(1,290)
5.0 Jobs, Investment and Diversification						
	42,400	-	-	42,400	19,576	22,824
6.0 2013 Alberta Flooding						
6.1 Economic Renewal Initiative	-	-	-	-	356	(356)
	-	-	-	-	356	(356)
Total	\$ 399,923	\$ 562	\$ -	\$ 400,485	\$ 367,328	\$ 33,157
Lapse/(Encumbrance)					\$	\$ 33,157

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
 SCHEDULE TO FINANCIAL STATEMENTS
 LAPSE/ENCUMBRANCE
 YEAR ENDED MARCH 31, 2017

SCHEDULE 3
 (Continued)

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments <i>(in thousands)</i>	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended)
Program - Capital Investment						
1.0 Ministry Support Services						
1.5 Strategic Policy and Corporate Services	\$ 25	\$ -	\$ -	\$ 25	\$ 71	\$ (46)
5.0 Jobs, Investment and Diversification						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program - Capital Payments to Related Parties						
4.0 Science and Innovation						
4.5 Grants to Alberta Innovates	\$ 3,000	\$ -	\$ -	\$ 3,000	\$ 2,000	\$ 1,000
Total	\$ 3,025	\$ -	\$ -	\$ 3,025	\$ 2,071	\$ 954
Lapse/(Encumbrance)						\$ 954

(1) Per "Expense Vote by Program," "Capital Investment Vote by Program" on pages 67-71 of 2016-17 Government Estimates

(2) Per the *Supplementary Supply Estimates* approved on March 9, 2017.

(3) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2017

SCHEDULE 4

	2017			2016	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non- Cash Benefits ⁽³⁾	Total	Total
Deputy Minister	\$286,977	\$ 10,569	\$ 71,875	\$369,421	\$ 325,678
Alberta Representative to the United States	286,977	69,902	80,094	436,973	273,247
Alberta Representative in Asia ⁽⁴⁾	-	-	-	-	301,808
Alberta Representative for the Asia Pacific Basin	243,000	42,266	64,170	349,436	341,535
Assistant Deputy Minister					
Economic Development ⁽⁵⁾	197,668	-	31,877	229,545	155,620
Trade and Investment Attraction	201,176	-	51,927	253,103	218,011
Science and Innovation ⁽⁶⁾	190,393	6,690	48,573	245,656	264,367
Strategic Policy and Corporate Services ⁽⁷⁾⁽⁸⁾	178,705	1,554	45,955	226,214	266,020
Executive Director, Human Resources ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	150,008	-	39,745	189,753	210,528

- (1) Base salary includes pensionable base pay and earnings such as acting pay.
- (2) Other cash benefits include vacation payouts, and allowances paid to internationally posted employees. There were no bonuses paid in 2017.
- (3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life, insurance, short and long-term disability plans, professional memberships and tuition fees. In addition, internationally posted employees are reimbursed for tuition fees for dependent children residing with employee and home leave travel.
- (4) Position was terminated in June 2015.
- (5) The position was occupied by three individuals during the year. Occupancy of the position changed on September 6 and October 11, 2016.
- (6) The position was occupied by three individuals during the year. Occupancy of the position changed on September 19 and October 24, 2016.
- (7) The position was occupied by three individuals during the year. Occupancy of the position changed on July 11 and October 24, 2016.
- (8) The incumbents' services were shared with the Department of Indigenous Relations up until December 31, 2016 which contributes its own share of the cost of salary and benefits. Full salary and benefits are disclosed in this schedule.
- (9) The position was occupied by two individuals during the year, one of which was on an interim basis. Occupancy of the position changed on July 25 and October 24, 2016. The position was vacant for 2 weeks.
- (10) One of the incumbent's services were shared with the Department of Indigenous Relations up until November 1, 2016 which contributes its own share of the cost of salary and benefits. Full salary and benefits are disclosed in this schedule.
- (11) Position started reporting to Deputy Minister in August 2016.

**DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2017**

SCHEDULE 5

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department also had a shared service arrangement with Alberta Innovates, and charges Alberta Innovates for Information Technology and Management Services at the rate of Service Alberta consumption costs and projects initiated by Alberta Innovates.

The department had the following transactions with related parties reported on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2017	2016 (Restated Note 3)	2017	2016 (Restated Note 3)
	<i>(in thousands)</i>			
Revenues				
Grants	\$ -	\$ -	\$ 100,272	\$ 89,960
Other	-	-	-	51
	\$ -	\$ -	\$ 100,272	\$ 90,011
Expenses - Directly Incurred				
Grants	\$ 232,534	\$ 222,104	\$ 32,828	\$ 29,467
Other Services	251	155	1,362	626
	\$ 232,785	\$ 222,259	\$ 34,190	\$ 30,093
Tangible Capital Assets Transferred in (out)	\$ -	\$ -	\$ 1,211	\$ (87)
Receivables from	\$ 1,001	\$ -	\$ -	\$ -
Payable to	50,000	535	4,408	75
Net	\$ (48,999)	\$ (535)	\$ (4,408)	\$ (75)
Contractual Obligations	\$ 54,998	\$ 500	\$ 12,244	\$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 2.

**DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2017**

**SCHEDULE 5
(Continued)**

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not reported in the financial statements.

	Other Entities	
	2017	2016
	<i>(in thousands)</i>	
Expenses - Incurred by Others		
Accommodation	\$ 4,348	\$ 3,911
Legal Services	615	566
Business Services and Other	1,304	1,070
	\$ 6,267	\$ 5,547

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TRADE
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
YEAR ENDED MARCH 31, 2017

Program	2017					2016
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Business Services ⁽⁴⁾	Total Expenses	(Restated Note 3) Total Expenses
	Expenses - Incurred by Others					
	<i>(in thousands)</i>					
Ministry Support Services	\$ 13,171	\$ 1,109	\$ 161	\$ 333	\$ 14,774	\$ 9,196
Economic Development	78,997	1,337	123	401	80,858	22,963
Trade and Investment Attraction	23,727	1,228	173	368	25,496	23,390
Science and Innovation	232,403	674	158	202	233,437	275,847
Jobs, Investment and Diversification	19,665	-	-	-	19,665	-
2013 Alberta Flooding	-	-	-	-	-	75
Climate Leadership	356	-	-	-	356	-
	\$ 368,319	\$ 4,348	\$ 615	\$ 1,304	\$ 374,586	\$ 331,471

⁽¹⁾ Expenses - Directly Incurred as per Statement of Operations.

⁽²⁾ Accommodation Costs, including grants in lieu of taxes, allocated by square footage.

⁽³⁾ Legal Services Costs allocated by estimated costs incurred by each program.

⁽⁴⁾ Business Services Costs, including charges for IT Support, vehicles, internal audit services and other services on Schedule 5, allocated by costs in certain programs.



Alberta Enterprise Corporation

Alberta Enterprise Corporation

Financial Statements
Year Ended March 31, 2017

**ALBERTA ENTERPRISE CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 2017**

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Independent Auditor's Report

To the Board of Directors of the Alberta Enterprise Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Enterprise Corporation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net financial assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Enterprise Corporation as at March 31, 2017, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 2, 2017

Edmonton, Alberta

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31

	2017		2016
	Budget	Actual	Actual
	<i>(in thousands)</i>		
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 50,850	\$ 36,060	\$ 25,909
Other Revenue	-	12	9
	50,850	36,072	25,918
Expenses (Note 2(b), Schedule 1)			
Operating Costs	850	1,955	1,189
	850	1,955	1,189
Annual Operating Surplus	50,000	34,117	24,729
Investment Gain (Loss) (Note 7)	-	1,043	(350)
Annual surplus	50,000	35,160	24,379
Accumulated Surplus, Beginning of Year		115,856	91,477
Accumulated Surplus, End of Year		\$ 151,016	\$115,856

The accompanying notes and schedules are part of these financial statements.

**ALBERTA ENTERPRISE CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31**

	2017	2016
	Actual	Actual
	<i>(in thousands)</i>	
Financial Assets		
Cash (Note 5)	\$ 48,228	\$ 53,694
Accounts Receivable (Note 6)	50,200	-
Portfolio Investments (Note 7)	90,172	83,557
	188,600	137,251
 Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	370	381
Deferred Revenue (Note 9)	15,231	441
	15,601	822
 Net Financial Assets	172,999	136,429
 Net Assets	172,999	136,429
 Net Assets		
Accumulated Surplus	151,016	115,856
Accumulated Remeasurement Gains	21,983	20,573
	\$ 172,999	\$ 136,429

Contractual Obligations (Note 10)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors:

Originally signed by
Paul Haggis
Chair of the Board of Directors

Originally signed by
Barry Heck
Vice Chair of the Board of Directors
Chair of the Audit Committee

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31

	2017		2016
	Budget	Actual	Actual
		<i>(in thousands)</i>	
Annual Surplus	\$ 50,000	\$ 35,160	\$ 24,379
Net Remeasurement Gains (Note 7)		1,410	6,697
Increase in Net Financial Assets in the Year		36,570	31,076
Net Financial Assets, Beginning of Year		136,429	105,353
Net Financial Assets, End of Year		\$ 172,999	\$ 136,429

The accompanying notes and schedules are part of these financial statements.

**ALBERTA ENTERPRISE CORPORATION
STATEMENT OF REMEASUREMENT GAINS
YEAR ENDED MARCH 31**

	2017	2016
	Actual	Actual
	<i>(in thousands)</i>	
Unrealized Gains Attributable to:		
Portfolio Investments	\$ 534	\$ 6,129
Foreign Exchange	876	568
Net Remeasurement Gains for the Year (Note 7)	1,410	6,697
Accumulated Remeasurement Gains at the Beginning of Year	20,573	13,876
Accumulated Remeasurement Gains at the End of Year	\$ 21,983	\$ 20,573

The accompanying notes and schedules are part of these financial statements.

ALBERTA ENTERPRISE CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	<u>2017</u>	<u>2016</u>
	<u>Actual</u>	<u>Actual</u>
	<i>(in thousands)</i>	
Operating Transactions		
Annual Surplus	\$ 35,160	\$ 24,379
Non-cash Items:		
Contributions Restricted for Investing	25,000	-
Deferred Contributions recognized as Revenue (Note 9)	(10,210)	(59)
(Gain)/Loss on Sale of Portfolio Investments (Note 7)	(1,043)	350
	<u>48,907</u>	<u>24,670</u>
Contributions Restricted for Operating	-	500
Increase in Accounts Receivable	(50,200)	-
Decrease in Accounts Payable and Accrued Liabilities	(11)	(307)
Cash (Applied to)/Provided By Operating Transactions	<u>(1,304)</u>	<u>24,863</u>
Investing Transactions		
Purchase of Portfolio Investments (Note 7)	(13,960)	(11,051)
Distributions received from Limited Partnerships (Note 7)	9,798	5,017
Cash Applied to Investing Transactions	<u>(4,162)</u>	<u>(6,034)</u>
(Decrease) Increase in Cash	(5,466)	18,829
Cash at Beginning of Year	53,694	34,865
Cash at End of Year	<u>\$ 48,228</u>	<u>\$ 53,694</u>

The accompanying notes and schedules are part of these financial statements.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

Note 1 AUTHORITY

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the Alberta Enterprise Corporation Act.

The Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

The Corporation is exempt from income taxes under the *Income Tax Act*.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Economic Development and Trade (the Ministry) and for which the Minister of Economic Development and Trade (the Minister) is accountable. Other entities accountable to the Minister are the Department of Economic Development and Trade (the Department) and Alberta Innovates. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue.

Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers are recognized as deferred revenue if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for the use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Investment Income

Investment income includes dividend and interest income and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments that are not from restricted transfers, donations or contributions are recognized in the Statement of Accumulated Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Statement of Operations.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash	Cost
Accounts receivable	Lower of cost or net recoverable value
Portfolio investments	Fair value
Accounts payable and accrued liabilities	Cost

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of Cash, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals at the end of the year.

Cash

Cash comprises of cash on hand and demand deposits.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Portfolio Investments

Portfolio investments in Limited Partnerships are recognized at fair value. Fair value is determined by the limited partnerships based upon valuation techniques considered appropriate by the Corporation and may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. The Corporation relies upon the General Partner's valuation of the investments in the limited partnerships.

Unrealized gains and losses from changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses. Once realized, the cumulative gain or losses previously recognized in the Statement of Remeasurement Gains and Losses are recognized in net investment income.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the Corporation at the year end; and
- accrued employee vacation entitlements.

Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the Statement of Financial Position date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the Statement of Operations, and the cumulative amount of remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Portfolio investments recognized at \$90,172 (March 31, 2016 - \$83,557) in the financial statements are subject to measurement uncertainty.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

(b) Basis of Financial Reporting (Continued)

Measurement Uncertainty (Continued)

Measurement uncertainty exists with the determination of the fair value of the investments. The fair value of the investments is estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

Note 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**

PS3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the financial statements.

Note 4 BUDGET

(in thousands)

The budget column reported on the Statement of Operations reflects the original budgeted surplus of \$50,000 as published in the 2016-17 Government Estimates.

Note 5 CASH

(in thousands)

	2017	2016
Cash	\$ 48,228	\$ 53,694

As at March 31, 2017 the Corporation has \$48,228 (2016- \$53,694) in cash. \$44,884 (2016-\$33,263) has been committed for partnership capital contributions. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 6 ACCOUNTS RECEIVABLE

(in thousands)

	2017	2016
Grant Receivable	\$ 50,000	\$ -
Other Receivable	200	-
	\$ 50,200	\$ -

Note 7 PORTFOLIO INVESTMENTS

(in thousands)

The Government of Alberta originally allocated \$100,000 in 2008 for investments in Limited Partnerships that provide venture capital in knowledge-based industries. An additional \$25,000 was allocated in 2016 and \$50,000 was allocated in 2017 for additional investments in Limited Partnerships.

The Corporation is a Limited Partner in twelve (2016 – ten) Limited Partnerships and \$135,043 (2016 - \$111,379) has been contributed and committed to these Limited Partnerships. Committed funds are paid into the Limited Partnership in amounts and at times determined by the General Partner in order to meet the Limited Partnerships' funding requirements. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital. The Corporation's contributions to date and commitments are as follows:

Limited Partnerships	Funds Disbursed to Partnerships for Investments ^(a)	Remaining Commitments	Total Funds Disbursed and Committed, End of the Year
32 Degrees D.E.Fund II (S&T AIV)	\$ 9,521	\$ 479	\$ 10,000
Accelerate Fund I	10,000	-	10,000
Accelerate Fund II	800	9,200	10,000
Avrio Ventures II	5,286	714	6,000
Avrio Ventures III	1,254	3,746	5,000
Azure Capital Partners III ^(b)	10,606	701	11,307
Chrysalix Energy III Fund ^(b)	12,681	4,286	16,967
EnerTech Capital Partners IV ^(b)	12,647	5,835	18,481
iNovia Fund III	7,941	2,059	10,000
McRock iNfund	3,732	6,268	10,000
Relay Ventures Fund III ^(b)	2,713	10,574	13,287
Yaletown Ventures II	12,977	1,023	14,000
Total	\$ 90,159	\$ 44,884	\$ 135,043

^(a) Funds disbursed during the year include management fees of \$2,756 (\$3,049 - 2016). Management fees may be recovered from Limited Partnerships in accordance with the Limited Partnership agreements. Total funds disbursed at the end of the year include management fees of \$17,371 (\$14,615 - 2016).

^(b) Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2017.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 7 PORTFOLIO INVESTMENTS (Continued)
(in thousands)

The changes in the fair values of the Corporation's investments in Limited Partnerships since April 1, 2016 are as follows:

Limited Partnerships	Funds							Investment in Partnership, end of year	Percentage share of Partnership 2017	Percentage share of Partnership 2016
	Investment in Partnerships, beginning of year	Disbursed to Partnerships for Investments	Distributions received from Limited Partnerships	Remeasurement Gain (Loss)	Investment Gain (Loss)	Investment in Partnership, end of year	Percentage share of Partnership 2017			
32 Degrees D.E.Fund II (S&T AIV)	5,588	75	(158)	186	(100)	5,591	99.99%	99.99%		
Accelerate Fund I	7,956	-	-	285	(520)	7,721	99.99%	99.99%		
Accelerate Fund II	-	800	-	-	(47)	753	100.00%	0.00%		
Avrio Ventures II	6,279	129	(1,787)	247	960	5,828	6.56%	6.56%		
Avrio Ventures III	-	1,254	-	(159)	(200)	895	4.92%	0.00%		
Azure Capital Partners III	12,486	1,119	-	1,739	(508)	14,836	12.42%	12.42%		
Chrysalix Energy III Fund	16,487	905	-	498	(845)	17,045	10.32%	10.32%		
EnerTech Capital Partners IV	7,867	3,293	-	(345)	(439)	10,376	12.66%	12.66%		
iNovia Fund III	13,243	900	(3,548)	608	2,452	13,655	9.04%	9.04%		
McRock iFund	1,299	2,072	-	7	(291)	3,087	14.22%	15.33%		
Relay Ventures Fund III	-	2,713	-	(505)	(398)	1,810	7.30%	0.00%		
Yaletown Ventures II	12,352	700	(4,305)	(1,151)	979	8,575	15.58%	15.58%		
Total Portfolio Investments 2017	83,557	13,960	(9,798)	1,410	1,043	90,172				
Total Portfolio Investments 2016	71,176	11,051	(5,017)	6,697	(350)	83,557				

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 7 PORTFOLIO INVESTMENTS (Continued)

(in thousands)

Fair Value Hierarchy

Management is responsible for estimating the relative reliability of data or inputs used by the Corporation to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporation. The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Corporation's perceived risk of that investment.

The Corporation's investments have all been classified within level three as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation. When observable prices are not available for these securities the Limited Partnerships use one or more valuation techniques (e.g. the market approach, the income approach) for which sufficient and reliable data is available. Within level three, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As quoted market prices are not readily available for private investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 7 PORTFOLIO INVESTMENTS (Continued)
(in thousands)

Financial Risk Management

The Corporation is exposed to a variety of financial risks associated with the underlying securities held in the Limited Partnerships. These financial risks include market risk and liquidity risk. Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of price risk and foreign currency risk. Liquidity risk is the risk the fund will not be able to meet its obligations as they fall due.

(a) Price Risk

The Corporation's price risk is driven primarily by volatility in its venture capital investments. The Corporation generally invests in Limited Partnerships in the initial stages of development. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.

(b) Foreign Currency Risk

The Corporation is exposed to foreign currency risk associated with the underlying securities held in investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

The value of the Corporation's investments in Limited Partnerships denominated in foreign currencies may change due the changes in exchange rates. \$44,066, or 49% of the Corporation's investment, are denominated in US dollars (2016-\$36,839, or 44%).

If the value of the Canadian dollar increased by 10% against the U.S. dollar, and all other variables are held constant, the potential loss in fair value to the Corporation would be approximately 4.9% of total investments (2016- 4.0%).

(c) Liquidity Risk

Liquidity risk is the risk that a given investment or asset cannot be traded quickly enough in the market to prevent a loss.

The Corporation's investments are long term and highly illiquid. There is no assurance that the Corporation will ultimately realize the carrying value of the investments.

To manage these risks, the Corporation has established policies around the type of Limited Partnerships that it invests in. In addition, each limited partnership has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance and in accordance with the Limited Partnership's investment mandate. The Corporation does not participate in any foreign currency hedging activities.

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 7 PORTFOLIO INVESTMENTS (Continued)
(in thousands)

(c) Liquidity Risk (Continued)

Investment commitments exceed cash on hand, and management plans to use future distributions from the Limited Partnerships to meet the commitments.

(d) Other Risks

The Corporation is not exposed to significant credit and interest risk.

Note 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

Accounts Payable and Accrued Liabilities

	2017	2016
	\$ 370	\$ 381

Note 9 DEFERRED REVENUE
(in thousands)

Balance, beginning of year
 Contributions receivable during the year
 Less: amounts recognized as revenue
 Net deferred revenue
 Balance, end of year

	2017	2016
	Government of Alberta	Government of Alberta
	\$ 441	\$ -
	25,000	500
	(10,210)	(59)
	14,790	441
	\$ 15,231	\$ 441

ALBERTA ENTERPRISE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
MARCH 31, 2017

Note 10 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual Obligations

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into Limited Partnerships. The details of the commitments are listed in Note 7. Other contractual obligations are:

	2017	2016
Obligations under Operating Leases	\$ 177	\$ 119
Obligations under Service Contracts	131	243
	\$ 308	\$ 362

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases	Service Contracts	Total
2017-18	\$ 34	\$ 114	\$ 148
2018-19	35	10	45
2019-20	36	7	43
2020-21	36	-	36
2021-22	36	-	36
Thereafter	-	-	-
	\$ 177	\$ 131	\$ 308

Note 11 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

Note 12 APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of Alberta Enterprise Corporation.

ALBERTA ENTERPRISE CORPORATION
 EXPENSES - DETAILED BY OBJECT
 YEAR ENDED MARCH 31, 2017

SCHEDULE 1

	2017		2016	
	Budget	Actual	Actual	
	<i>(in thousands)</i>			
Salaries, Wages, Benefits and Payments to Consultants		\$ 859	\$	526
Supplies and Services		859		534
Grants and Sponsorships		237		119
Financial Transactions and Other		-		10
	\$ 850	\$ 1,955	\$	1,189

**ALBERTA ENTERPRISE CORPORATION
SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2017**

SCHEDULE 2

	2017			2016	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non- cash Benefits ⁽⁵⁾	Total	Total
	<i>(in thousands)</i>				
Chair of the Board	\$ -	\$ 45	\$ 2	\$ 47	\$ 46
Board Members (four) ⁽³⁾	-	78	4	82	105
Executives:					
Chief Executive Officer ⁽¹⁾	277	4	18	299	220
Directors, Investments ⁽⁴⁾	284	-	9	293	104
Director, Industry Development ⁽⁶⁾	131	-	4	135	59
	\$ 692	\$ 127	\$ 37	\$ 856	\$ 534

⁽¹⁾ Base salary was established through employer and employee arrangements in January 2016.

⁽²⁾ Other cash benefits for Board Members include honoraria payments and per diem allowances. Other cash benefits for the Chief Executive Officer include life and disability allowances. There were no discretionary amounts paid to executives in 2017 (2016-nil).

⁽³⁾ The Board of Directors consisted of four members in 2017 (2016 - four).

⁽⁴⁾ A secondary Director, Investments started work April 18, 2016.

⁽⁵⁾ Other non-cash benefits include Canada Pension Plan, Retirement Savings Plans and Employment Insurance payments.

⁽⁶⁾ This position was created effective November 17, 2015.

**ALBERTA ENTERPRISE CORPORATION
RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2017**

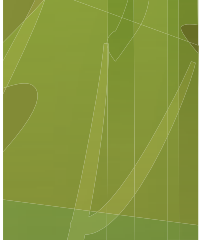
SCHEDULE 3

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect changes applicable to all users, and have been excluded from this schedule.

Entities in the Ministry refers to entities consolidated in the Ministry of Economic Development and Trade. Other entities outside of the Ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2017	2016	2017	2016
	<i>(in thousands)</i>			
Revenues				
Grants	\$ 36,060	\$ 25,909	\$ -	\$ -
	<u>\$ 36,060</u>	<u>\$ 25,909</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses				
Other Services	\$ 17	\$ 30	\$ 132	\$ 40
	<u>\$ 17</u>	<u>\$ 30</u>	<u>\$ 132</u>	<u>\$ 40</u>
Receivables	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Revenue	<u>\$ 15,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441</u>
Contractual Obligations	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 104</u>	<u>\$ 337</u>



ALBERTA INNOVATES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

Independent Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Change in Net Financial Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

Schedule 1 - Expenses Detailed by Object

Schedule 2 - Salary and Benefits Disclosure

Schedule 3 - Related Party Transactions

Schedule 4 - Allocated Costs

Schedule 5 - Restatement of Comparative Figures



Independent Auditor's Report

To the Board of Directors of Alberta Innovates

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Innovates, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Innovates as at March 31, 2017, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 30, 2017

Edmonton, Alberta

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017 Budget	2017 Actual	2016 Actual (Restated - Note 2 a)
Revenues			
Government Transfers			
Base Grant	\$ 115,517	\$ 115,517	\$ 116,747
Restricted Provincial Grants	43,232	39,690	43,800
Restricted Provincial Grants - Prior Year	13,051	12,482	6,867
Other Grants	44,060	39,019	43,343
Federal & Industry Grants	6,564	8,775	6,495
External Contract & Other Revenue	45,578	43,138	57,656
Contract Revenue from Province of Alberta	4,104	3,262	4,086
Investment Income	1,196	1,221	1,581
	<u>273,302</u>	<u>263,104</u>	<u>280,575</u>
Expenses - Directly Incurred (Note 2 (c) and Schedule 1)			
Cross Sectoral Innovation Enablers	137,489	129,561	139,531
Health Innovation	81,372	88,819	92,865
Clean Energy	22,361	22,567	13,360
Bio Sector	21,623	20,196	18,459
Administration/Program Operations	40,128	37,223	39,470
	<u>302,973</u>	<u>298,366</u>	<u>303,685</u>
Annual Deficit	(29,671)	(35,262)	(23,110)
Accumulated Surplus, Beginning of Year	113,085	113,085	136,195
Accumulated Surplus, End of Year	<u>\$ 83,414</u>	<u>\$ 77,823</u>	<u>\$ 113,085</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017
(dollars in thousands)

	2017	2016
		(Restated - Note 2 a)
Financial Assets		
Cash (Note 5)	\$ 152,183	\$ 210,595
Accounts Receivable (Note 6)	22,510	15,493
	174,693	226,088
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	27,961	26,822
Unspent Deferred Capital Contributions (Note 8)	258	554
Deferred Revenue (Note 8)	92,855	109,853
Deferred Contract Revenue (Note 8)	7,172	8,790
	128,246	146,019
Net Financial Assets	46,447	80,069
Non-Financial Assets		
Tangible Capital Assets (Note 9)	37,110	31,876
Prepaid Expenses	1,234	1,140
	38,344	33,016
Net Assets Before Spent Deferred Capital Contributions	84,791	113,085
Spent Deferred Capital Contributions (Note 8)	6,968	-
Net Assets		
Accumulated Surplus	\$ 77,823	\$ 113,085

Contingent Liabilities and Contractual Obligations (Notes 11 and 12).

The accompanying notes and schedules are part of these consolidated financial statements.

Approved by the Board of Directors

Originally signed by

Judy Fairburn
Board Chair

Tom Thompson
Audit Chair

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	<u>2017</u> Budget	<u>2017</u> Actual	<u>2016</u> Actual (Restated - Note 2 a)
Annual Deficit	\$ (29,671)	\$ (35,262)	\$ (23,110)
Acquisition of Tangible Capital Assets	(6,435)	(10,838)	(5,080)
Amortization of Tangible Capital Assets	5,374	5,298	5,034
Writedown of Tangible Capital Assets	-	144	-
Loss on Disposal of Tangible Capital Assets	-	138	41
Proceeds on Sale of Tangible Capital Assets	-	24	22
Change in Prepaid Expenses	-	(94)	3,385
Change in Spent Deferred Capital Contributions	-	6,968	-
Decrease in Net Financial Assets in the Year	(30,732)	(33,622)	(19,708)
Net Financial Assets, Beginning of Year	80,069	80,069	99,777
Net Financial Assets, End of Year	<u>\$ 49,337</u>	<u>\$ 46,447</u>	<u>\$ 80,069</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	<u>2017</u>	<u>2016</u> (Restated - Note 2 a)
Operating Transactions		
Annual Deficit	\$ (35,262)	\$ (23,110)
Non-Cash Items:		
Amortization of Tangible Capital Assets	5,298	5,034
Deferred Revenue Recognized as Revenue	(99,947)	(100,636)
Writedown of Tangible Capital Assets	144	-
Loss on Disposal of Tangible Capital Assets	138	41
	<u>(129,629)</u>	<u>(118,671)</u>
(Increase) Decrease in Accounts Receivable	(7,017)	5,728
(Increase) Decrease in Prepaid Expenses	(94)	3,385
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,139	(529)
(Decrease) Increase in Deferred Contract Revenue	(1,618)	1,186
Contributions Restricted for Operating	82,922	94,037
Cash Applied to Operating Transactions	<u>(54,297)</u>	<u>(14,864)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(10,838)	(5,080)
Proceeds on Sale of Tangible Capital Assets	24	22
Cash Applied to Capital Transactions	<u>(10,814)</u>	<u>(5,058)</u>
Financing Transactions		
Contributions Restricted for Capital	6,699	506
	<u>6,699</u>	<u>506</u>
Decrease in Cash	(58,412)	(19,416)
Cash, Beginning of Year	210,595	230,011
Cash, End of Year	<u>\$ 152,183</u>	<u>\$ 210,595</u>

The accompanying notes and schedules are part of these consolidated financial statements.

ALBERTA INNOVATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2017

NOTE 1 AUTHORITY AND PURPOSE

Alberta Innovates is a Provincial corporation, as defined in the *Financial Administration Act*. It was established effective November 1, 2016 under the *Alberta Research and Innovation Act*. The *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." Two wholly owned subsidiary corporations C-FER Technologies (1999) Inc. and InnoTech Alberta Inc. along with the Alberta Foundation for Health Research are also reporting entities of Alberta Innovates.

The objectives of the Corporation are to support, for the economic and social well-being of Albertans, research and innovation activities aligned to meet Government of Alberta priorities, including, without limitation, activities directed at the discovery, commercialization and application of knowledge in the areas of agriculture, energy, environment, forestry, health and other areas determined by the regulations.

The Corporation is exempt from income taxes under the *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Restatement of Financial Information

Effective November 1, 2016, the *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." This transaction has been accounted for as a continuity-of-interests, which maintains the carrying value of the assets and liabilities of the combined entities. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the corporations had been combined since their inception. Schedule 5 includes details on the restatement of the comparative balances.

b) Reporting Entity and Method of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Corporation and its wholly owned subsidiaries; InnoTech Alberta Inc., C-FER Technologies (1999) Inc. and the Alberta Foundation for Health Research (AFHR). The AFHR operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to promote and support medical research. All inter-entity balances and transactions have been eliminated on consolidation.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

c) Basis of Financial Reporting

Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as deferred revenue. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Funds received prior to meeting the criteria are recorded as deferred revenue until the resources are used for the purpose specified.

Contract revenue is recognized using the percentage of completion method. The Corporation makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Investment income includes interest income. Investment income earned from restricted sources is deferred and recognized when the terms imposed have been met.

Government Transfers

Transfers from all governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recognized as deferred revenue or deferred capital contributions if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without stipulations for use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

Donations and Non-Government Contributions

Donations and non-government contributions are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government contributions may be unrestricted or externally restricted for operating or capital purposes.

Unrestricted donations and non-government contributions are recognized as revenue in the year received or in the year the funds are committed to the Corporation if the amount can be reasonably estimated and collection is reasonably assured.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

ALBERTA INNOVATES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

<u>Financial Statement Component</u>	<u>Measurement</u>
Cash	Cost
Accounts Receivable	Lower cost or net recoverable value
Accounts Payable and Accrued Liabilities	Cost

The Corporation has no assets or liabilities in the fair value category, has no significant foreign currency transactions and has no remeasurement gains or losses. Consequently, no statement of remeasurement gains and losses has been presented.

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash

Cash comprises of cash on hand and demand deposits.

The Consolidated Cash Investment Trust Fund (CCITF) is managed with the objective of providing competitive interest income to depositors while maintain appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term and mid-term fixed income securities with a maximum to maturity of three years.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the Corporation at the year end
- accrued employee vacation entitlements; and
- contingent liabilities where future liabilities are likely

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation(s) that is no longer in productive use and is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Corporation is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

Asset Retirement Obligations

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of the operations.

Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible Capital Assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for major systems enhancements is \$25,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Work in progress, which included facilities and improvements projects and development of information systems, is not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

Prepaid Expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Financial Risk Management

The Corporation's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. The Corporation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Corporation's financial instruments are exposed to credit risk, market risk and liquidity risk.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the corporation. The Corporation's accounts receivable are exposed to credit risk. Management manages this risk by continually monitoring the creditworthiness of counterparties and by dealing with counterparties that it believes are creditworthy.

b) Market Risk

Market risk is the risk of loss from unfavorable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of currency risk, interest rate risk and price risk. The Corporation's cash is exposed to interest rate risk. Management manages this risk by continually monitoring the Corporation's deposits in the Consolidated Cash Investment Trust Fund (CCITF) and their corresponding rate of return.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's accounts payable and accrued liabilities are exposed to liquidity risk. Management manages this risk by continually monitoring cash flows.

Employee Future Benefits

The Corporation participates in multi-employer defined benefit pension plans with related government entities that provide pensions for the Corporation's participating employees based on years of service and earnings. The Corporation does not have sufficient plan information on these pension plans to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension costs included in these consolidated financial statements are comprised of the cost of the employer contributions for the current service period of employees during the year and additional employer contributions for service relating to prior years.

The Corporation operates a defined contribution pension plan. Pension costs included in these consolidated financial statements are comprised of the cost of employer contributions for the current service of employees during the year.

ALBERTA INNOVATES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Measurement Uncertainty

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies.

NOTE 3 FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board issued the following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**

PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

Management is currently assessing the impact of these standards on the consolidated financial statements.

NOTE 4 BUDGET

(in thousands)

Four business plans with a combined budgeted deficit of \$29,671 were approved by the Board and the full financial plans were submitted to the Minister of Economic Development & Trade. The budget reported in the statement of operations reflects the \$29,671 deficit.

ALBERTA INNOVATES

NOTE 5 CASH

(in thousands)

Cash in the amount of \$152,183 (2016 - \$210,595) includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta amounting to \$149,963 (2016 - \$205,796). The CCITF is managed with the objective of providing competitive investment income to depositors while maintaining appropriate security and liquidity of depositors' capital. As at March 31, 2017, \$95,753 of the cash balance is restricted as it represents grants received that have restrictions on their use (2016 – \$115,508).

As at March 31, 2017, securities held by the Corporation had a time-weighted rate of return of 0.9% per annum (2016 – 0.8% per annum). Due to the short-term nature of the CCITF investments, the carrying value approximates fair value.

NOTE 6 ACCOUNTS RECEIVABLE

(in thousands)

	2017			2016
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
				(Restated - Note 2 a)
Accounts receivable	\$ 15,366	\$ 849	\$ 14,517	\$ 9,004
Alberta Government departments and agencies	5,725	-	5,725	2,248
Accrued income receivable	2,268	-	2,268	4,241
	<u>\$ 23,359</u>	<u>\$ 849</u>	<u>\$ 22,510</u>	<u>\$ 15,493</u>

Accounts receivable are unsecured, non-interest bearing and reported at their estimated net realizable value.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2017	2016
		(Restated - Note 2 a)
Accounts payable and accrued liabilities	\$ 23,878	\$ 17,559
Alberta Government departments and agencies	4,083	9,263
	<u>\$ 27,961</u>	<u>\$ 26,822</u>

ALBERTA INNOVATES

NOTE 8 DEFERRED CONTRIBUTIONS

(in thousands)

	<u>2017</u>	<u>2016</u> (Restated - Note 2 a)
Unspent deferred capital contributions (a)	\$ 258	\$ 554
Spent deferred capital contributions (b)	6,968	-
Deferred revenue (c)	92,855	109,853
Deferred contract revenue	7,172	8,790
	<u>\$ 107,253</u>	<u>\$ 119,197</u>

(a) Unspent deferred capital contributions

	<u>2017</u>			<u>2016</u>
	Government of Alberta	Other	Total	Total Deferred (Restated - Note 2 a)
Balance, beginning of year	\$ 554	\$ -	\$ 554	\$ 48
Received/receivable during year	1,600	5,086	6,686	503
Interest income	13	-	13	3
Transferred to spent deferred capital contributions	(1,909)	(5,086)	(6,995)	-
Balance, end of year	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 554</u>

(b) Spent deferred capital contributions

	<u>2017</u>			<u>2016</u>
	Government of Alberta	Other	Total	Total Deferred
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Transferred from unspent deferred capital contributions	1,909	5,086	6,995	-
Less amounts recognized as revenue	(27)	-	(27)	-
Balance, end of year	<u>\$ 1,882</u>	<u>\$ 5,086</u>	<u>\$ 6,968</u>	<u>\$ -</u>

ALBERTA INNOVATES

NOTE 8 DEFERRED CONTRIBUTIONS (Con't)

(c) Deferred revenue	2017			2016
	Government of Alberta	Other	Total	Total Deferred (Restated - Note 2 a)
Balance, beginning of year	\$ 99,371	\$ 10,482	\$ 109,853	\$ 116,451
Cash contributions received/receivable during year	75,240	7,169	82,409	93,594
Interest income	513	-	513	443
Recognized as revenue:	-	-	-	-
Grants	(91,178)	(8,516)	(99,694)	(100,323)
Interest income	(226)	-	(226)	(312)
Balance, end of year	<u>\$ 83,720</u>	<u>\$ 9,135</u>	<u>\$ 92,855</u>	<u>\$ 109,853</u>

NOTE 9 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land	Building & Improvements	Equipment (a)	Computer Hardware	2017 Total	2016 Total (Restated - Note 2 a)
Estimated Useful Life	Indefinite	25-30 years	3-20 years	3-5 years		
Historical Cost						
Beginning of year	\$ 566	\$ 10,014	\$ 62,703	\$ 9,773	\$ 83,056	\$ 84,240
Additions	-	5,242	4,517	1,079	10,838	5,080
Disposals including write-downs	-	(24)	(691)	(482)	(1,197)	(6,264)
	<u>\$ 566</u>	<u>\$ 15,232</u>	<u>\$ 66,529</u>	<u>\$ 10,370</u>	<u>\$ 92,697</u>	<u>\$ 83,056</u>
Accumulated Amortization						
Beginning of year	\$ -	\$ 4,031	\$ 41,982	\$ 5,167	\$ 51,180	\$ 52,347
Amortization expense	-	561	3,495	1,242	5,298	5,034
Effect of disposals including write-downs	-	(9)	(498)	(384)	(891)	(6,201)
	<u>\$ -</u>	<u>\$ 4,583</u>	<u>\$ 44,979</u>	<u>\$ 6,025</u>	<u>\$ 55,587</u>	<u>\$ 51,180</u>
Net Book Value at End of Year	<u>\$ 566</u>	<u>\$ 10,649</u>	<u>\$ 21,550</u>	<u>\$ 4,345</u>	<u>\$ 37,110</u>	
Net Book Value at Beginning of Year	<u>\$ 566</u>	<u>\$ 5,983</u>	<u>\$ 20,721</u>	<u>\$ 4,606</u>		<u>\$ 31,876</u>

(a) The cost of capital assets under construction that are not currently being amortized is \$6,239 (2016 - \$1,071).

ALBERTA INNOVATES

NOTE 10 ACCUMULATED SURPLUS

(in thousands)

	2017			2016
	Investments in Tangible Capital Assets	Unrestricted Surplus	Total	Total (Restated - Note 2 a)
Balance, beginning of year	31,876	81,209	113,085	136,195
Annual deficit	(5,604)	(29,658)	(35,262)	(23,110)
Investment in capital assets	10,838	(10,838)	-	-
Balance, end of year	37,110	40,713	77,823	113,085

NOTE 11 CONTINGENT LIABILITIES

(in thousands)

The Corporation has been named as defendant in one (2016 - two) specific legal action. No specified amount has yet been claimed; the amount of the claim will be determined at trial. The resulting loss from this claim, if any, cannot be determined.

NOTE 12 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2017	2016
		(Restated - Note 2 a)
Obligations under:		
Operating leases	\$ 6,582	\$ 8,519
Grants/contracts	221,802	265,563
	\$ 228,384	\$ 274,082

ALBERTA INNOVATES

NOTE 12 CONTRACTUAL OBLIGATIONS (Con't)

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases and Grants/Contracts

	Operating Leases	Grants/Contracts	Total
2017-18	\$ 1,961	\$ 134,611	\$ 136,572
2018-19	1,936	64,862	66,798
2019-20	940	15,390	16,330
2020-21	698	4,840	5,538
2021-22	698	1,866	2,564
Thereafter	349	233	582
	\$ 6,582	\$ 221,802	\$ 228,384

The Corporation did not have a Letter of Credit at March 31, 2017 (2016 – one Letter of Credit - \$908).

NOTE 13 BENEFIT PLANS

(in thousands)

- (a) The Corporation participates in the multi-employer pension plans: Management Employees Pension Plan (MEPP), the Public Service Pension Plan (PSPP), as well as, a Supplementary Pension Plan (SRP) for Public Service Managers. The Corporation does not have sufficient plan information on MEPP, PSPP or the SRP to follow the standards for defined benefit accounting and therefore follows the standard for defined contribution accounting. Accordingly, pension expense recognized for the PSPP/SRP/MEPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2016, the Management Employees Pension Plan reported a surplus of \$402,033 (2015 – surplus \$299,051), the Public Service Pension Plan reported a surplus of \$302,975 (2015 – deficiency \$133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015 – deficiency \$16,305). The Corporation is not responsible for future funding of the plan deficit other than through contribution increases.

- (b) A portion of the Corporation participated in a Defined Contribution Pension Plan until November 1, 2016. After November 1, 2016, these employees participate in the MEPP and PSPP. The expense for this pension plan is \$616 (2016 - \$610). The Corporation accounts for this plan on a defined contribution basis.

ALBERTA INNOVATES

NOTE 13 BENEFIT PLANS (Con't)

- (c) The Benefit Plans consists of the unfunded liability for the Corporation's supplemental retirement plan, the benefits under which are paid for entirely by the Corporation when they come due. There are no plan assets. There are no active members remaining in the plan and one retired member eligible for benefits.

At March 31, 2017 these plans have net accrued liability of \$148 (2016 - \$202).

	<u>2017</u>	<u>2016</u>
Benefit plans, beginning of year	\$ 202	\$ 328
Interest cost	-	3
Benefits paid	<u>(54)</u>	<u>(129)</u>
Benefits plans, end of year	<u>\$ 148</u>	<u>\$ 202</u>

NOTE 14 COMPARATIVE FIGURES

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

NOTE 15 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on May 30, 2017.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 1 - Expenses Detailed by Object

	2017 Budget	2017 Actual	2016 Actual
			(Restated - Note 2 a)
Grants	\$ 178,554	\$ 181,503	\$ 174,327
Salaries, Wages and Employee Benefits	80,637	77,477	82,390
Supplies and Services	38,408	34,088	41,934
Amortization of Tangible Capital Assets	5,374	5,298	5,034
	<u>\$ 302,973</u>	<u>\$ 298,366</u>	<u>\$ 303,685</u>

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 2 - Salary and Benefits Disclosure

	2017			2016	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total (Restated - Note 2 a)
Chair of the Board (4)	\$ -	\$ 31	\$ -	\$ 31	\$ 69
Board Members (4)	-	148	-	148	160
Chief Executive Officer (5)	284	37	23	344	-
Vice Presidents:					
Executive Vice President, Strategic Initiatives & Special Projects (6)	72	8	8	88	-
Vice President, Bio (acting) (7)	30	15	1	46	-
Vice President, Clean Energy (8)	228	4	75	307	257
Vice President, Finance & Corporate Secretary (9)	225	13	30	268	253
Vice President, Health (10)	225	13	29	267	252
Vice President, Investments (acting) (11)	81	-	23	104	-
Vice President, Provincial Platforms & SPOR	250	12	33	295	281
Pre-Transition:					
Chief Executive Officer (acting) - AIBIO (12)	139	5	47	191	287
Chief Executive Officer - AIEES (13)	70	57	3	130	363
Chief Executive Officer - AITF (14)	65	474	12	551	439
Chief Executive Officer (interim) - AIHS (15)	63	-	3	66	288
Vice President, Emerging Technologies - AITF (16)	122	222	31	375	-
Vice President, Finance - AITF (17)	119	51	32	202	417
Vice President, Food & Agriculture - AITF (18)	63	13	4	80	131
Vice President, Health - AITF (19)	-	175	-	175	367
Vice President, Investments & Legal - AITF (20)	125	37	5	167	313
Vice President, Oil & Gas - AITF (21)	122	-	4	126	245
Vice President, Organizational Effectiveness - AITF (22)	-	-	-	-	376
Executive Vice President - AITF (23)	-	-	-	-	482

(1) Base salary includes regular salary and retro active payments.

(2) Other cash benefits include honoraria for the Chair and Board Members. Other cash benefits for the Chief Executive Officer and Vice Presidents include vacation payouts, car and living allowance, payments in lieu of pension and lump sum amounts. Also included in other cash benefits for the year ended March 31, 2017 is \$714 in termination benefits paid as a result of termination agreements.

(3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, employee health care expense accounts, dental coverage, major medical, group life insurance, short term disability plan, CPP, EI, Workers Compensation Board premiums (estimated) and professional memberships.

(4) In 2016, there were four Boards, each Board with a separate Chair and Board Members. Effective, April 1, 2017, a new Board was created for Alberta Innovates with one Chair of the Board and Board Members.

(5) Chief Executive Officer (CEO) position was occupied by two different people this year. The transition CEO was effective May 2, 2016 to December 31, 2016. The Permanent CEO was effective January 1, 2017.

(6) Executive Vice President, Strategic Initiatives & Special Projects position was effective January 1, 2017. This position had delegated authority as interim CEO and received acting pay for this responsibility.

(7) Vice President, Bio (acting) was effective November 1, 2016 and vacated December 13, 2016.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 2 - Salary and Benefits Disclosure (Cont'd)

- (8) Vice President, Clean Energy position was effective November 1, 2016. This position was also Acting CEO-Energy & Environment Solutions until October 31, 2016.
- (9) Vice President, Corporate Services was reclassified as Vice President, Finance & Corporate Secretary on November 1, 2016.
- (10) Vice President, Initiatives and Innovation position was reclassified as Vice President, Health on November 1, 2016.
- (11) Vice President, Investment (acting) position was effective November 1, 2016. This position was performed by the General Manager, Entrepreneurial Investments.
- (12) Chief Executive Officer (acting) - AIBIO position was vacated October 31, 2016.
- (13) Chief Executive Officer - AIEES position was vacated July 1, 2016.
- (14) Chief Executive Officer - AITF position was vacated June 8, 2016.
- (15) Chief Executive Officer (interim) - AIHS position was vacated May 1, 2016. Retro active payments were issued in 2017 for the prior year.
- (16) Vice President, Emerging Technologies - AITF position was vacated on October 31, 2016.
- (17) Vice President, Finance - AITF position was vacated October 31, 2016.
- (18) Vice President, Food & Agriculture - AITF position was vacated September 30, 2016.
- (19) Vice President, Health - AITF position was vacated March 17, 2016.
- (20) Vice President, Investments & Legal - AITF position was vacated October 7, 2016. This position was also the Acting CEO - AITF effective June 9, 2016 to October 7, 2016.
- (21) Vice President, Oil & Gas - AITF position was vacated October 31, 2016.
- (22) Vice President, Organizational Effectiveness - AITF position was vacated March 18, 2016.
- (23) Executive Vice President - AITF position was vacated January 31, 2016.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 3 - Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect changes applicable to all users, and have been excluded from this Schedule.

The Corporation had the following transactions with related parties recorded in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2017	2016	2017	2016
	(Restated - Note 2 a)		(Restated - Note 2 a)	
Revenues				
Grants	\$ 195,206	\$ 195,642	\$ 11,502	\$ 15,115
Contract Revenue & Other	43	34	3,231	4,052
	<u>\$ 195,249</u>	<u>\$ 195,676</u>	<u>\$ 14,733</u>	<u>\$ 19,167</u>
Expenses – Directly Incurred				
Grants	\$ -	\$ -	\$ 130,769	\$ 129,573
Other Services	(83)	44	1,307	1,613
	<u>\$ (83)</u>	<u>\$ 44</u>	<u>\$ 132,076</u>	<u>\$ 131,186</u>
Receivable from	<u>\$ 54</u>	<u>\$ 535</u>	<u>\$ 5,670</u>	<u>\$ 1,713</u>
Payable to	<u>\$ 1,013</u>	<u>\$ -</u>	<u>\$ 3,070</u>	<u>\$ 9,263</u>
Unspent Deferred Capital Contributions	<u>\$ 258</u>	<u>\$ 363</u>	<u>\$ -</u>	<u>\$ 191</u>
Spent Deferred Capital Contributions	<u>\$ 1,702</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ -</u>
Deferred Revenue	<u>\$ 59,930</u>	<u>\$ 75,247</u>	<u>\$ 23,790</u>	<u>\$ 24,124</u>
Deferred Contract Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437</u>	<u>\$ 477</u>
Contractual Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,666</u>	<u>\$ 222,847</u>

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 3 - Related Party Transactions (Cont'd)

The above transactions do not include support service arrangement transactions disclosed below.

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the consolidated financial statements. Accommodation expenses incurred by others are disclosed in Schedule 4.

Expenses – Incurred by Others (1)	Other Entities Outside of the Ministry	
	2017	2016
		(Restated - Note 2 a)
Accommodation (2)	\$ 21,795	\$ 20,937
	\$ 21,795	\$ 20,937

(1) During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Economic Development & Trade at no cost. The dollar value of these services cannot be accurately determined.

(2) The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 4 - Allocated Costs

	2017		2016	
	Expenses (a)	Expenses – Incurred by Others (b) Accommodation Costs	Total Expenses	Total Expenses
Program				(Restated - Note 2 a)
Cross Sectoral Innovation Enablers	\$ 129,561	\$ -	\$ 129,561	\$ 139,531
Health Innovation	88,819	-	88,819	92,865
Clean Energy	22,567	-	22,567	13,360
Bio Sector	20,196	-	20,196	18,459
Administration/Program Operations	37,223	21,795	59,018	60,407
	\$ 298,366	\$ 21,795	\$ 320,161	\$ 324,622

(a) Expenses – Directly Incurred as per Consolidated Statement of Operations.

(b) During the year, the Corporation received financial processing and reporting services from Service Alberta and the Department of Economic Development & Trade at no cost. The dollar value of these services cannot be accurately determined.

ALBERTA INNOVATES
FOR THE YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 5 - Restatement of Comparative Figures

Effective November 1, 2016, the *Alberta Research and Innovation Act* was amended to dissolve the four corporations: Alberta Innovates - Bio Solutions, Alberta Innovates - Energy and Environment Solutions, Alberta Innovates - Health Solutions, and Alberta Innovates - Technology Futures and create one new research and innovation corporation, "Alberta Innovates." This transaction has been accounted for as a continuity-of-interests, which maintains the carrying value of the assets and liabilities of the combined entities. Accordingly, these financial statements have been prepared to reflect the financial position and results of operations and cash flows for all periods presented as if the corporations had been combined since their inception.

	March 31, 2016 audit financial statements as previously published				Restated March 31, 2016	
	Alberta Innovates - Bio Solutions	Alberta Innovates - Energy and Environment Solutions	Alberta Innovates - Health Solutions	Alberta Innovates - Technology Futures	Eliminations	Alberta Innovates
Financial Assets	23,108	59,291	57,248	86,461	(20)	226,088
Liabilities	14,304	22,612	37,573	71,901	(371)	146,019
Net Financial Assets	<u>8,804</u>	<u>36,679</u>	<u>19,675</u>	<u>14,560</u>	<u>351</u>	<u>80,069</u>
Non-Financial Assets	<u>-</u>	<u>17</u>	<u>900</u>	<u>32,099</u>	<u>-</u>	<u>33,016</u>
Net Assets						
Accumulated Surplus	<u>8,804</u>	<u>36,696</u>	<u>20,575</u>	<u>46,659</u>	<u>351</u>	<u>113,085</u>
Revenue	20,032	22,514	75,457	163,119	(547)	280,575
Expenses	<u>19,867</u>	<u>18,696</u>	<u>103,482</u>	<u>162,258</u>	<u>(618)</u>	<u>303,685</u>
Annual Surplus (Deficit)	165	3,818	(28,025)	861	71	(23,110)
Accumulated Surplus, Beginning of Year	8,639	32,878	48,600	45,798	280	136,195
Accumulated Surplus, End of Year	<u>8,804</u>	<u>36,696</u>	<u>20,575</u>	<u>46,659</u>	<u>351</u>	<u>113,085</u>



Statutory Report

Public Interest Disclosure Act

Section 32 of the Public Interest Disclosure Act requires the ministry to report annually on the following parts of the Act:

- (a) the number of disclosures received by the designated officer of the Public Interest Disclosure Office, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;
- (b) the number of investigations commenced by the designated officer as a result of disclosures; and
- (c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2016-17 the ministry had no disclosures of wrongdoing filed with the Public Interest Disclosure Office.

Economic Development and Trade

ANNUAL REPORT

2016-17